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IN TWO PARTS PART ONE

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The National Underwriter

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Agents File Code Under NRA Plan

Grow Impatient at Delay of Companies in Reaching Agreement

EXECUTIVES ARE AROUSED

Local Men Through Their National Body Want Provision on Unfair Practices Adopted

NEW YORK, Dec. 27.—The National Association of Insurance Agents filed its code with the NRA administration at Washington, D. C., this week including famous section 7 which deals with "unfair practices." Secretary W. H. Bennett went to the capital and personally saw to it that the document was officially filed. The organization gave official warning to the company executives that unless an agreement were reached by the end of the year whereby machinery could be set up to settle controversies within the insurance ranks themselves the code would be filed.

Companies Unable to Agree

The general committee of company executives met last week and evidently the members were about as far away as ever from reaching an agreement for presentation to the agents. The National association offices have been bombarded by members from all parts insisting that the code be filed. It was felt that a reasonable time should be given the companies to try to get together. When the agency organization management became convinced that the companies were getting nowhere and were as far away as ever from arriving at a concord, it was decided to file the code.

Will Probably Cause a Rift

The action of the agents will undoubtedly upset future conferences in the plan for all hands to get together. It will likely cause a rift between the companies and organized agents. The companies have been very much opposed to agency organization filing a code with any more restrictive measures than were found in the original code filed by the insurance interests. When the compromise was made that the National Association of Insurance Agents would take no further action until the companies had worked out the mechanics of an agreement whereby trade controversies could be adjusted within the business itself, the agents evidently concluded that a reasonable amount of time should be given for the companies' negotiations to be consummated. The agency organization offered a plan to the companies and sub-committees were appointed by the fire, casualty and marine interests to consider these.

Meetings have been held but evidently the agency association felt that the companies were making but little progress

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Marine Definition Leaves Some Problems to Solve

CITE "PERMANENT RESIDENCE"

Difficulty of Properly Protecting Contractors' Equipment Another Question Facing Producers

The definition of marine companies' writing powers phrased by the National Convention of Insurance Commissioners and approved by a large number of states has raised some puzzling questions with inland marine companies and agents and brokers writing this business who are desirous of adequately covering their assureds.

One of the puzzles is the term "permanent residence," which marks the line beyond which marine companies cannot go. It is said no satisfactory definition of the term has ever been given. A man for instance might maintain his legal address and summer residence in a northern city, vote there, but live in a Florida or California winter home nine or ten months of the year.

At first glance it might be taken that the winter home in the south would not be permanent residence and therefore marine companies could step in there and write coverage on a transportation form. However, it is a fine point that must be decided before marine companies can be sure of their ground. There undoubtedly will be some conflict and overstepping of the bounds until a satisfactory definition of the term is rendered.

Effect on Contracting Risks

Although the contracting business is far below normal, it is believed it will be one of the first businesses to spurt when recovery comes. The marine definition has set up a problem for agents and brokers in covering their contractor-assureds adequately. Contractor's equipment coverage is a line which marine companies have written profitably for a long time on a transportation basis.

Under the new definition, however, contractor's equipment stored in the contractor's permanent quarters cannot be covered by marine companies. This is a privilege left to the fire and casualty companies.

When contractors are busy their equipment is frequently on the move. As a portion of the work on a job is completed the equipment used for the purpose is moved to another job or back to headquarters. Heretofore under the marine form it has been possible to give the coverage at a premium within the contractor's means, recognizing that only a small part of his equipment, when he is busy, will be in permanent headquarters.

Risk Now Is Spread

However, under the marine definition marine companies will be able to write contractor's equipment coverage only on the job or in process of being moved. It will be necessary for fire and casualty companies to pick up the coverage in permanent headquarters.

The problem left to contractors and agents or brokers is to stay within the definition and yet fully protect the contractor. He may have $100,000 of equipment value. If he were to attempt to cover himself under the new definition he must take $100,000 of fire and casualty protection in permanent headquarters, or it might occur that at some period he would have some of his equipment temporarily uninsured. He would, however, pay a burdensome premium for such protection.

Chance of Underinsurance

In the active season he might not have more than $10,000 of value in equipment at any one time in his headquarters, the rest being on the job or in transit. On the other hand if he should assume that he never would have more than $10,000 to $20,000 of value in his main yard and cover only that amount, taking transportation policies for the remainder he might find a loss occurring when he had a large amount of value in his headquarters, much of it uninsured, and the transportation forms not liable.

Marine men say it is a complication which apparently was overlooked in drafting the definition and some modification should be made to cover it.

Federal Regulation Deemed Not Ideal in All Respects

HAS SERIOUS POSSIBILITIES

University Professor Analyzes Old Proposal at Session of Teachers of Insurance

Although there may be some advantages derived from federal rather than state regulation of insurance, the present complicated times are especially inopportune for such a development, F. G. Dickinson, assistant professor of the department of economics, University of Illinois, secretary-treasurer American Association of University Teachers of Insurance, stated in an address at the annual meeting of the association in Philadelphia this week.

He said to secure federal control it would be necessary for the U. S. Supreme Court almost completely to reverse its ruling in Paul vs. Virginia, or for another amendment to the constitution to be adopted. So long as states have power to pass workmen's compensation and automobile liability laws, it is unlikely they will voluntarily relinquish their right to control companies providing insurance under such acts. The authority imposing such obligations on citizens, Professor Dickinson said, is the logical agency for supervising operation of insurers under these risks.

Progress Toward Uniformity

It often has been said that federal control of insurance would bring uniformity, but Professor Dickinson said much of the demand for uniformity has been met through the fine work of the National Convention of Insurance Commissioners, especially in recent years, great progress having been made toward uniform policy forms, convention blanks, commissioners' values, less duplication of company examinations, etc.

He said uniformity is not entirely de-

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Four Brokers Get Corn Insurance

Same Firms That Handle Cotton Cover Plus Chicago Agency Favored

COVER INTEREST OF CCC

Rollins, Burdick, Hunter Is Fourth Agency Named—Missouri Takes Steps to Qualify for Loans

WASHINGTON, D. C., Dec. 27.—Insurance of corn covered by loans of the Commodity Credit Corporation is being handled through the same brokers as is the insurance of cotton with the addition of a Chicago firm.

The brokers handling the corn insurance are Robins & Weil, Greensboro, N. C., Adams & Porter, Houston, American General Agency, New York, and Rollins, Burdick, Hunter Company, Chicago.

The Missouri legislature has just passed a state warehouse law, so that corn farmers in that state may take advantage of the Commodity Credit Corporation's 45 cents a bushel loan offer on corn.

These loans are being made available by the CCC to farmers in those states only which have created machinery for inspecting the grain, sealing it and issuing farm warehouse certificates. Such machinery has been created in Illinois, Iowa, Nebraska and in certain counties in Colorado, Minnesota and South Dakota.

Although North Dakota has the machinery, the CCC is not making loans in that state.

Missouri Law Differs

The Missouri warehouse law differs from similar statutes in other states in that it requires the owner of the corn to obtain an insurance policy before a warehouse certificate can be issued. Therefore, a separate insurance policy will be issued for every bin of corn in Missouri on which loans are made. This will have the effect of distributing the coverage among local agents much more widely than if the insurance were placed, following the issuance of certificates to cover the interest of banks and other lending agencies, which make corn loans, eligible for discount at the Commodity Credit Corporation.

There is much interest among insurance men as to what insurance company or companies and what insurance brokers or agents have been designated to carry and handle the corn insurance covering the interest of the CCC. The forms, which were published by the Western Actuarial Bureau, merely cover the interest of the lending agency and this insurance terminates when the loan is assigned by the bank to the CCC. Although probably most of the loans will be made by banks and other lend-

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Reinsurance and Currency; Need Sound, Stable Value

By H. ERNEST FEER
Vice-President American Equitable

Although this article was prepared by Mr. Feer for the Reinsurance Number, which is part II of this week's edition, the subject matter is broader than reinsurance, and it is therefore presented as a feature of the regular edition.

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At a time when this country is widely discussing the currency and its value, it is not amiss to consider from the standpoint of reinsurance at least two of the plans concerning the currency that stand in the foreground of public interest.

Insurance companies are moneyed corporations. Their function is to store and transfer capital. In direct writing companies the transfer operations are in the foreground. Steadily, day by day, they move capital, money, from places of abundance (premium payer) to places of distress (loss claimant).

The nature of treaty companies is substantially similar, but the time element, the storage function, is more prevalent. A treaty company has as its assureds the various ceding offices. They are infinitely fewer in number than the assureds of a direct company. Further, each of these assureds should, and in a normal fire treaty does, produce enough premiums for the reinsurer to pay out of such premiums the losses and commissions and to retain a profit. It is the function of the reinsurer to accumulate this profit over a period of years and to have it available for the future case where the treaty becomes unprofitable, meaning that the treaty premiums are less than the combined commissions and losses.

Reinsurer Has Intense Interest in Developments

The reinsurance company, therefor, has a particularly large interest in all developments affecting the currency, the financial basis of the country. It stands very near to the life insurance company in its wish to see the currency retain a reasonably constant value from year to year. This constancy of value is at present discussed very broadly in the United States. In particular, there are two sets of ideas that merit attention. On the one hand is the plan of a managed currency. For the present, this is only a theoretical proposal born in a university and brought into the church of publicity by the baptism of governmental approval, when the President last July outlined the plan of a dollar that a generation from now would buy the same quantity of a given commodity, say wheat, as it does today. In the past commodities fluctuated in value while the currency remained stable in relation to gold. In the future commodity prices shall remain stable under this plan, while the gold content of the dollar shall fluctuate. Opinions are greatly divided about this plan being practical. Assuming, however, that it can be put in operation safely, reinsurance should derive reasonable benefits from it, because it will serve to stabilize such factors as amounts of insurance and cost of loss repairs. Whether these benefits may, on the other hand, be lost through the uncertainties in the investment market is open to debate, but the whole plan merits a friendly and intensive study on the part of insurance interests.

On the other hand squarely stands the question of currency inflation. The discussion of inflation leads directly to the question of the gold standard. This is an extremely loose term, which can mean free gold circulation from country to country, gold support of the currency, free exchange of paper currency into gold, etc. It is all very difficult to comprehend, even for prime ministers. Disraeli is reported to have said that more people have gone crazy from the study of the gold standard than from love. However, the flood of information, instruction and propaganda now appearing from inflationists and sound money people is gradually making clear certain fundamental facts concerning gold and money. Among them are:

That there are mainly two kinds of inflation, namely, of credit and of currency;

That in the past a currency was considered sound if based by gold in the ratio 40 to 100, meaning $40 gold should support $100 in paper money;

That currency inflation is talked of when bank notes are put into circulation far in excess of the above ratio. (Germany 1920-1923).

Events Directly Affecting Currency Since April

An inflation of credit had already taken place to a large extent under President Hoover, mainly in the form of purchases of federal bonds by the Federal Reserve banks. It is extensively practiced today in the same form and also through heavy loans by the R. F. C. and other government agencies. Its effect on commodity prices, security prices, general prosperity and other factors of economic life naturally interests insurance companies. Perhaps credit inflation is beneficial, perhaps it is not. At any rate, its existence can not be denied, nor is it today the chief object of concern.

The insurance companies are concerned, however, or should be, with the events which have directly affected the currency since last April. To name them in their order of occurrence:

The embargo of gold exports;

The suspension of convertibility of paper into gold;

The drop of the dollar value in international exchange;

The payment of steadily higher prices for gold, first internally and then in the world markets. This has the effect of making the paper dollar worth less and less.

The theory of this latter step is that putting less value upon gold makes commodities more valuable and the administration desires to raise the prices of raw materials and agricultural products to the level of 1926. Perhaps it will reach this objective, but in the meantime the American people face the danger of a currency inflation. Undoubtedly, the administration does not even dream of printing unsecured paper dollars. Yet congress last April gave it the power to do so up to three billion dollars and some times circumstances force the hand. We must admit that in financial matters things have come to pass which a year ago would have been considered utterly impossible. By the same token, still other developments may take place that are considered today outside all probabilities.

Outright Inflation Is Favored by Minority

A substantial minority in the country today points to outright inflation as a certain cure for our economic ills. Perhaps they are right. No man lives who can fathom all possibilities of an inflation. Perhaps it may work in this country, but after 30 men have died through the use of a medicine, why try this medicine yourself?

Paper money, insufficiently or not at all secured by a metallic base, is no invention of our age or of our country. It was tried time and again by countries large or small and has never in a single instance resulted in lasting benefits to either the creditor or the debtor class. What the debtor class gained through the abolishment of its debts, it lost through the rising prices all around and the complete stagnation of business. Further, where is the man who can say, "I am only creditor," or "I am only debtor?" John Doe may hope for inflation to relieve him of the mortgage burden on his home, but does he remember that the same inflation will also relieve him automatically to exactly the same degree of his life insurance? His neighbor with no home and no mortgage, but a debit balance at the bank, may rid himself of this debt by inflation, but does he know that afterwards his apartment rent will be increased immeasurably to pay for the inevitable taxes on real estate? Real estate will bear the major portion of reconstruction taxes, as very little else is left to be taxed.

Inflation in France Was Arrested in 1926

An admission is necessary. In one major case, it was possible to arrest inflation before the paper money became totally worthless. This was France in 1926, when Poincare, called to power by a despairing country, succeeded in jamming on the brakes before the car rolled over the edge. His brakes were ruthless reduction of government expenditures and ruthless taxation.

As long as the dollar was convertible into gold, although very few ever exercised this privilege, our currency had a safe basis. An insurance company, fearful of its investments, could transfer its assets into cash with reasonable assurance thereby to preserve at least the principal for its policyholders. Many companies did so in 1932. Today this haven of refuge is lost. Evidently currency has become an undesirable commodity, the government itself wishing it to become less valuable. Companies, therefore, must trust to their mortgages, stocks and bonds for investment. Let us see what becomes of them in an inflation.

Insurance Companies Need Real Value Behind Dollars

Mortgages and bonds, being fixed debts, move with the currency and would disappear with the dollar. They might even disappear faster, because the earnings of many corporations could become curtailed to such an extent as to imperil interest payment. Stocks in an inflation might have a period of speculative rise, but the inevitable collapse of business activity which has accompanied every other inflation, would spell bankruptcy for many concerns, or at least passing of the dividends. From an investment standpoint, therefore, insurance companies have a very vital interest to see speedy return of a secure metallic basis to the currency. Perhaps this basis need not to be the one of last March. Perhaps the country could safely withstand devaluation of the dollar from 100 to 60. This is a question for economic and monetary experts to decide, but the country does need, and insurance companies before all do need, a real value behind the paper dollars in their possession. Without it the dollar is defenseless, not only against other currencies in the international market, but against the whims of the people themselves.

After a currency has lost the support of gold, the only tangible support left to it is the taxing power of the government. For the rest, the paper currency floats in the air and the American dollar largely so floats at present. The country is not alarmed about it because the dollar continues to buy in the interior as much as before. Suppose, however, that prices begin to rise in accordance with the wish of the government. The average man then must realize that the government desires the paper dollar to be worth less and less and that there is no gold convertibility any more upholding the dollar. May not the average man begin to wonder about his dollar? May he not desire to get rid of this dollar rather than keep it for a rainy day? To ask the question is to answer it. And if a million of Mr. Average Man should come more or less simultaneously to this realization, might it not assume the character of a money panic? Who is the man bold enough to guarantee that this could not take place in this country after the experience of last January and February, where a gust of popular panic directed itself against the banks with disastrous results.

Should Make Known Desires as to Currency

This article is not meant to alarm, but the situation surrounding our money is serious enough for insurance interests to study the problem, realize the dangers inherent to monetary confusion and make their wishes for a reliable currency known.

The example of England is frequently cited as a proof that our departure from the gold standard was necessary and that, far from endangering the country, will benefit it. To my mind the case of England proves exactly the opposite. England was forced off the gold standard by factors beyond its control. The United States left it voluntarily. Both countries desire to reduce prices of their exported goods in the world markets, but in the interior England wished to keep prices down. The United States wishes to raise them. England reduced its government expenditures. The United States is increasing them under an ordinary or extraordinary budget enormously. England resolutely set its face against increases in the printed money. Congress authorized the President to issue greenbacks up to three billion dollars, and heavy pressure is put on him to exercise this right. England's procedure may serve as an example how to leave the gold standard and still escape the dangers of currency inflation. Can the United States, who started from different premises, and strive to reach an exactly opposite goal, expect that their procedure will work out as it did for the old country?

It is true that the enormous deposits of gold still remain in the vaults of our central bank. This gold could at any moment be "shoved" underneath the paper dollar to support it again, but it is equally true that little intention seems to exist at Washington at this moment to do so. Quite to the contrary, the government is steadily exercising its powers to make the paper dollar less and less valuable. The country at present believes, and perhaps justly so, that these operations are merely an attempt on the part of the government to find a new gold value for the dollar commensurate with the burden of our interior debts and the competitive requirements in the world market. As long as such new gold value has not been declared, however, the government will continue to be under heavy pressure to devalue the paper dollar still further by issuing more of it. This pressure, to which must be added the heavy extraordinary expenses incurred by the government, contains sources of increasing monetary confusion.

Public Opinion and a Sound and Stable Money

Perhaps the wisdom of the administration, or an improvement in the general business situation will avoid this danger, but there is only one sure way of preventing it, that is, education of the public mind and mobilization of a well organized public opinion in favor of sound and stable money. The present times are fully comparable with the free silver agitation under Presidents Cleveland and McKinley, with the one fundamental difference that in those days the inflationists were in the opposition while the government staunchly stood for sound money. Today the government makes its position a riddle. Perhaps it waits for the voice of the people.

Judge Questions Insurance Men

Gutknecht Interested in Practices of Insurers in Auto Theft Field

ANOTHER SESSION SET

Court Feels Key to the Situation Is the "Fence" and Not the Youthful Thieves

A number of insurance people appeared before Judge Gutknecht of the Boys' court at Chicago, at the invitation of the judge, to submit to something of an inquisition as to practices in the automobile theft field in that city. The insurance men who were questioned were J. J. Cavanaugh and H. C. Dillon, claim manager for the Inter-Insurance Exchange of the Chicago Motor Club, and Leo J. Cummings of T. J. Houston & Co., adjusters for Marsh & McLennan. Also in the courtroom were J. Wiley Burden, automobile superintendent Hartford Fire, and chairman joint automobile theft committee of the Automobile Superintendents Club of Chicago and the Western Loss Association, and J. A. McClelland, loss superintendent, Great American, who is vice-chairman of the joint committee. Al Faehy, manager Central Auto Service Bureau, the central salvage depot, which was created through the work of the joint committee, was on hand.

The advance publicity indicated that Judge Gutknecht was aroused because of the alleged practice of insurance companies of selling stripped automobiles to "fences," who, in turn, hired boys to steal parts with which to build up these stripped cars. The immediate cause of the inquiry was the confession of H. L. Ellingham, a confessed "fence," who was once employed by Car Service, Inc., which is affiliated with the Chicago Motor Club. Ellingham was in court when the insurance representatives appeared before the judge.

Shows Consideration

As a matter of fact, the judge was considerate of the insurance interests, and seemed to be searching for a solution to the theft situation. At only one time did he show a belligerent attitude. He said that he thought that the insurance companies might be attempting to take advantage of the agitation about automobile thefts to pitch the rates to an unreasonably high level.

The judge, undoubtedly, was actuated to some extent because of the criticism to which he has been subjected because of his leniency in dealing with automobile thieves. During the interview with insurance people, he expressed the belief that the key to the theft situation is the "fence" and that few of these were being discovered and prosecuted. He feels that little or nothing can be accomplished by sentencing the youthful thieves, that there are always plenty more to take their places.

Mr. Dillon was questioned first. In answer to a question from the judge, he said so far this year 1,052 cars insured in the Motor Club have been stolen, and that 87 percent have been recovered. During the year the motor club sold 107 cars, of which 60 were completely stripped and inoperable. Thirty-three of these stripped cars were sold to Ellingham, who told the judge that he paid from $15 to $250 a piece for them.

Later on the judge said he had no criticism of the Motor Club for its sales

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Harrington Voices Protest Regarding Cotton Insurance

WRITES TO LEGISLATORS

Atlanta Leader Contends Designation of Three Brokers to Handle Coverage Violates Recovery Plan

The action of the Commodity Credit Corporation in designating three brokers to handle the cotton on which the CCC makes loans of 10 cents a pound runs contrary to the theory of the recovery movement, according to W. Eugene Harrington, prominent local agent of Atlanta, who has written to United States Senators George and Russell and Congressman Ramsteck. The National Association of Insurance Agents had proposed a plan for handling the cotton, whereby Mr. Harrington would have placed the insurance in behalf of the agents throughout the south.

The essence of the recovery movement, Mr. Harrington stated, is to distribute income from commodities in the various sections, rather than to concentrate it in relatively few hands. Mr. Harrington contended a hardship has been worked upon the agents in the cotton growing belt, who are disappointed at the lack of consideration which they received from the government bureau.

"We feel," he stated, "that such a grave injustice has been done as to warrant our calling upon those representing us in the United States Senate and Congress to correct this injustice and similar requests are being addressed to every congressman and senator throughout the south and they urgently request that you lend the full strength of your influence toward the objective desired.

"If you will be good enough to let me have your reaction in order that it may in turn be reported to our state officers and the membership throughout Georgia, I shall be greatly obliged."

J. C. O'Connor Takes Charge

Owing to the death of C. R. Hebble, editor and manager of the "Fire, Casualty & Surety Bulletins," published by The National Underwriter Company at its Cincinnati office, after prolonged illness, J. C. O'Connor, at present associate editor of the "Insurance Producers Bulletins," will succeed Mr. Hebble with headquarters in Cincinnati. Mr. O'Connor has had several years experience in preparing educational material for local agents and brokers and was recently admitted to the Illinois bar. He will prove a decided acquisition to the rapidly growing "Fire, Casualty & Surety Bulletins."

Secretary of Home to Join Great American

JOHN C. EVANS

John C. Evans, who resigned as secretary of the Home, is joining the Great American. He was in charge of southern business for the Home. In what capacity he will serve the Great American has not been announced.

Agents Are Liable for Loss in an Unlicensed Company

The Tennessee court of appeals at Knoxville in Citizens Bank & Trust Co. vs. Scott & Sanders handed down an interesting decision holding an agent liable if a loss occurred in an unauthorized company and was not paid. The court at Knoxville said that the defendants as agents wrote a policy on staves, which were destroyed by fire, in an unlicensed company. The court said, "Our statutes make the agents who do this personally liable for the loss and the chancellor gave judgment against them. The agents are entitled to advance defense available to the insurance company, with the exception of the failure to furnish the company proofs of loss but in this case the company had no defense. The bank was named as trustee in the policy and this was notice it was not the sole and unconditional owner. The decree is affirmed."

The **North Carolina department** has adopted the definition of marine writing powers as approved by the National Convention of Insurance Commissioners.

Claim Agitation Doing Much Harm

Stock Company Executives Deplore Charges Their Agents Make

SAY TALK NOT JUSTIFIED

Declare Code Discussions Have Brought Out Unfair Accusations and Inflammatory Statements

Undoubtedly some home office executives are becoming very solicitous over the agitation on part of agents throughout the country in connection with the filing of a more stringent code to govern producers. The executives are not questioning the right and privilege of the agents to do this but they do feel that the agents fail to appreciate the danger which may result from more exacting provisions in a code.

The immediate reaction against the companies themselves is the inference left by many agents in their discussions that there are pronounced evils in the business which the companies will not or cannot correct and the only way to get relief is through governmental intervention. In the discussions, some of the agents have left the impression that the companies are not honestly and conscientiously endeavoring to do their part in bringing about needed improvements. The point is made that they are making the way hard for the legitimate agent and are bringing into the business sideliners and parasites who render no real service. In a number of discussions the statement has been made that the companies alone are responsible for the unsatisfactory conditions.

Effect on Stock Companies

Some executives have already felt the effect of this line of talk on their business. It is claimed that the non-stock companies are employing to good advantage these statements made by agents, endeavoring to show insurance buyers that if the charges made by the agents are true, then their insurance should be placed elsewhere. It has been found that business has already been shifted from stock companies to non-stock through the force of these arguments.

Executives who have expressed themselves declare that the agents are exaggerating the supposed evils which after all are largely competitive and trade controversies and do not concern the public. The agents desire to get all policy-writing agents on the same level but the companies argue that through long periods there have developed plans of operation which have been imbedded in the soil and now it is very difficult to uproot them. The controversies center about non-policy-writing agents, branch offices, bank agencies, over-head writing, the ravages of non-resident brokers, etc.

Opinion of an Executive

One prominent executive in discussing the situation makes this statement to THE NATIONAL UNDERWRITER.

"The statements made by the agents that there are prodigious evils in the business have certainly harmed their own companies. We have felt it in many places. Naturally our competitors use this against us and I refer now only to the non-stock competitors. If I were selling mutual insurance I would want no better argument than to take the statements the stock agents are making about their own companies. In

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C. R. Hebble, editor and manager "Fire, Casualty & Surety Bulletins" of The National Underwriter is dead. **Page 4**

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C. T. Deatrick, former Ohio state agent of the Home of New York, is dead. **Page 7**

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F. H. Sabin, who has been connected with the head office of the North British & Mercantile in New York, is dead. **Page 12**

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Revolutionary changes in **compensation field** needed. **Page 25**

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Significance of the withdrawal of the **Commercial Casualty and Metropolitan Casualty** from the compensation line is studied. **Page 25**

Resume of the Agents' Code

The trade practices portion of the code filed this week by the National Association of Insurance Agents was printed in THE NATIONAL UNDERWRITER Nov. 2. It prohibits charging rates lower than those established by rating authorities; prohibits misrepresentation by the producer to the assured or insurer; bans rebating; prohibits paying nonpolicy writing agents, brokers, etc., more than the commission determined by the local code committee.

Under the code, total acquisition cost of fire branch offices could not exceed the prevailing local agency commission scale and for casualty branches the prevailing general agency scale. It restricts casualty companies to the number of branch offices, general agencies and regional agencies as fixed in the acquisition cost rules. It prohibits producers from receiving or paying to other producers commissions in excess of the prevailing schedule established by the local association. Producers are required to operate in compliance with the rules of the local association.

Solicitation in violation of resident agency laws by mail or radio is forbidden. Placing insurance with nonadmitted companies is forbidden. There is a provision requiring that the producer get from outside sources premiums in excess of those on his own property, his relatives' property or employer's. Then there is a clause to enforce the overhead writing principle of the National Association of Insurance Agents. Insurance companies' employes are prohibited from dealing direct with an assured. Producers are required to remit promptly and are prohibited from extending undue credit.

A producer is prohibited from using expiration information belonging to another producer. Fictitious fleet writing is prohibited, also the sale of insurance in connection with newspaper or magazine subscriptions. Free bid bonds are banned. Political subdivisions are prohibited from dealing direct with insurance companies. Banks and other lending institutions are forbidden to coerce insurance.

The section provides that other requirements may be set up by local code committees.

Death of C. R. Hebble Has Removed National Figure

Charles R. Hebble, editor and manager of the Fire, Casualty & Surety Bulletins, published by the National Underwriter Company, died Tuesday morning at the Good Samaritan Hospital in Cincinnati where he had lain for some weeks suffering from tumor on the brain. Up to the time Mr. Hebble went to the hospital for observation he was apparently in good health, although suffering from headaches, which he attributed to overwork. In connection with his editorship he was interested inactively in an insurance agency with his two sons and St. Clair Bevis, but the partnership with Mr. Bevis had recently been severed, after an association of 14 years. Previous to that he had been special agent of the Employers Liability for eight years in the T. E. Hanlon general agency of the Employers in Cincinnati.

Was a Native of Xenia, O.

Mr. Hebble went to Cincinnati from Xenia, Ohio where he was born 59 years ago and where his father was also in the insurance business, conducting one of the well known agencies there. He was a graduate of Ohio State University. He became executive secretary of the Cincinnati chamber of commerce in the administration of President E. C. Gibbs, of the insurance firm of Neare, Gibbs & Co. and on retiring from the chamber it was on Mr. Gibbs' suggestion that he entered the insurance business. His long experience in the insurance field, to all phases of which he gave careful study, combined with his ability to write, admirably fitted him for the editorship of the "Bulletins." He established connections with insurance authorities all over the country and with their cooperation built up an information service for the fire and casualty local agent which attained wide popularity. He became a national figure in insurance educational work.

Mr. Hebble possessed high ideals of the local agent's functions and during his insurance career emphasized service to his clients, among whom he numbered several large concerns. He was affable and genial and a man of thorough integrity, as well as a hard worker. His associates in THE NATIONAL UNDERWRITER family and his many friends throughout the insurance world suffer a distinct loss in his passing.

He is survived by Mrs. Hebble and three children, Howard B, who will continue the insurance agency; C. R. Hebble, Jr., now with the home office of the Buckeye Union Casualty at Columbus; and his daughter Mrs. James Conklin. Funeral services will be held Thursday of this week at the Church of the Redeemer in Cincinnati.

Book of Security Values to Be Forwarded Jan. 25

NEW YORK, Dec. 27.—Superintendent Van Schaick has promulgated the basis of valuations for securities for companies under the jurisdiction of the New York department. The instructions follow the convention book of security values, prepared in accordance with the commissioners' resolution, which will be forwarded about Jan. 25.

Mr. Van Schaick directs attention to the maintenance of reserves for fluctuations in quotations on bonds and stocks, pointing out that any such reserve should be confined to bond and stock values and be entered under liabilities with the description of that reserve limited to "contingency reserve" except where the reserve is to cover the actual difference between convention values and market quotations on all bonds and stocks owned, in which case it may be designated as **"representing the difference between value carried in assets and actual Dec. 31, 1933 market quotations on all bonds and stocks owned."**

A similar provision may be made for reserves "representing difference between values carried in assets for nonamortizable bonds and for stocks and actual Dec. 31, 1933, market quotations on such bonds and stocks."

W. J. Graham Dies

W. J. Graham, treasurer and manager of the Hayes Insurance Agency, Detroit, Wayne county manager for the American of Newark, died suddenly Christmas morning following a heart attack. He was born in L'Anse, Mich., 54 years ago, and went to Detroit in 1916.

A. A. Lawson Taken by Death

A. A. Lawson, long a member of the prominent Boston agency firm of John C. Paige & Co., died at his home in Arlington, Mass.

Miss Nona E. Chittenden, daughter of **J. E. Chittenden** of Louisville, state agent for the North America group, was married Dec. 20 to W. S. Drescher, formerly of Louisville, now resident salesman at Charleston, W. Va., for the Axton Fisher Tobacco Co. Miss Chittenden is a niece of H. E. Chittenden, state agent for the Home group in Ohio.

As Seen from Chicago

KONITZER WITH TOKIO M. & F.

A. A. Konitzer, who for eight years has been head of the automobile department of Fred S. James & Co. in Chicago, has resigned to become manager of the automobile department in the Cook county and brokerage department of the Tokio M. & F. and Standard of New York. Prior to going with the James office, Mr. Konitzer was connected with the America Fore fleet.

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INSURANCE COMMITTEE ANNOUNCED

The personnel for the insurance committee of the Illinois chamber of commerce has been completed with H. A. Behrens of Chicago, president Continental Casualty and Continental Assurance, as chairman. The other members are O. E. Aleshire, Chicago local agent and head banker Modern Woodmen; R. H. Carruth, Chicago, special representative Fidelity & Deposit; Attorney Homer Cooper, Chicago; John D. Dill, Metropolitan Life, Carbondale; A. V. Gruhn, general manager American Mutual Alliance, Chicago; J. S. Kemper, president Lumbermen's Mutual Casualty of Chicago; E. V. Mitchell, Continental Casualty of Chicago; J. C. Peasley, Freeport, president Bankers Mutual Life; Walt Tower, secretary Chicago Life Underwriters Association; George D. Webb, Chicago, Conkling, Price & Webb; Henry Abels, vice-president Franklin Life; Dr. F. A. Besley, Besley-Osgood Clinic, Waukegan; C. M. Cartwright, THE NATIONAL UNDERWRITER; Roy L. Davis, president Chicago Life Underwriters Association; T. E. Dowling, East St. Louis; J. C. Harding, manager Springfield Fire & Marine, Chicago; Calvin P. King, Chicago; S. E. Moisant, Kankakee, secretary Illinois Association of Insurance Agents; W. P. Robertson, Chicago, assistant western manager North America; R. W. Troxell, local agent Springfield; J. H. Wilson, Massachusetts Mutual Life, Peoria; W. N. Achenbach, Chicago, western manager Aetna Fire; N. H. Bokum, Chicago, Massachusetts Mutual Life; H. R. Checkley, Mattoon; C. H. DeLong, Illinois Life Underwriters Association, Champaign; N. C. Cochenour, local agent Vandalia; E. A. Henne, western manager America Fore, Chicago; Guy C. Livesay, local agent Centralia; E. A. Olson, president Mutual Trust Life, Chicago; Chase M. Smith, vice-president National Retailers Mutual of Chicago; R. E. Vernor, Western Actuarial Bureau, Chicago; J. R. Wilson, chief engineer Marsh & McLennan, Chicago.

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EXECUTIVE COMMITTEE NAMED

W. B. Flickinger, Chicago, new president of the Society of Life Members of the Fire Underwriters Association of the Northwest, has appointed as members of the executive committee: R. A. Buckman, Illinois state agent Royal; J. M. Clark, executive special agent New York Underwriters; F. F. Gordon of Milwaukee, state agent Boston and Old Colony; W. H. Lininger, western manager Springfield; C. J. Munn, Chicago, manager Cook County Loss Adjustment Bureau; E. S. Phelps, local agent Burlington, Ia.; A. F. Powrie, Chicago, western manager Fire Association; Guy A. Richards, local agent Chicago; John F. Stafford, Chicago, western manager Sun; W. R. Townley, Chicago, Underwriters Salvage Company.

* * *

OPENS MUTUAL LOSS BUREAU

H. A. Kuehl, who has been associated with the J. S. Kemper & Co. organization in Chicago, has established the Mutual Adjustment & Inspection Bureau at 4750 Sheridan Road, Chicago. This is the beginning of what may become a series of branch bureaus to adjust losses for the mutuals. Mr. Kuehl starts with the Kemper losses and undoubtedly the bureau will spread its wings until the mutual losses are pretty well concentrated in the bureau and its branches.

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JOSEPH RICE & CO. MOVE

Joseph Rice & Co., casualty and automobile adjusters of Chicago, are moving Jan. 2 to more commodious quarters in rooms 956-8-60 Insurance Exchange. This firm has occupied offices in the same location in the Exchange for 14 years. A branch office is maintained in Milwaukee. Mr. Rice started in the adjustment business in 1907 and is now handling exclusively all claims in this territory for a number of large casualty companies. He recently increased the number of adjusters and added to his general staff, which necessitated the move to larger offices.

* * *

TITLE OF LAW FIRM CHANGED

The Chicago law firm of Silber, Isaacs, Silber & Woley, which has specialized for many years in insurance law, on Jan. 1 will change its name to Silber, Isaacs, Clausen & Woley, without any change in the membership of the firm.

* * *

NORTMAN LEAVING CHICAGO

Illness of his wife forces Roy Nortman, Chicago independent adjuster, to remove her to a more suitable climate. Mr. Nortman has arranged with O. D. O'Brien, independent adjuster in the Insurance Exchange, Chicago, to take care of pending and any new losses, assuring his clients that these will be given careful attention.

* * *

ASSURE 1934 OPERATIONS

Continuance of the World Fair Underwriting Association through the 1934 season is assured, 100 percent subscription having been obtained from fire insurance companies. Some of the companies that were in the pool this year are cutting down their participation and a few are withdrawing entirely, but this reduction was made up from other sources.

* * *

FLEET DISTINCTIONS

The following communication was sent to Secretary J. H. Slagle of the Insurance Brokers Association of Illinois by a well known Chicago agent in response to a questionnaire from the brokers association on the fictitious fleet question:

"Referring to your circular letter of Dec. 6 relative to so-called fictitious automobile fleet insurance policies, the answer to the question as you put it obviously is 'no.' However, your question does not cover the situation and you seem to have merely set up a dummy for the purpose of knocking it down.

"I offer the suggestion that you approach this subject from the standpoint of a fleet of cars owned by employes (salesmen, collectors, servicemen, etc.) who are required to own a car in order to qualify for their positions, the maintenance and operations of which cars are subsidized by the employer by some means such as car allowance or other consideration which makes such operation part of the employers' expense, such cars being used primarily in the employers' business. In the case of cars so described, the answer would be that such should be entitled to fleet and experience rates; not necessarily 'substantial discount' as expressed in your circular, as the result might be either credit or debit rating.

"In my opinion the difference between such a fleet as I have described and one made up of cars owned by the employer is purely technical. It must be borne in mind that many large corporations who formerly provided cars for their employes have found it to be better business policy to have such cars owned by the individuals, the advantages of this arrangement being obvious."

* * *

STREET ON PROGRAM

C. R. Street, western manager of the Great American, is scheduled to address a meeting of the Automobile Adjusters Association of Chicago Feb. 8 at the Union League Club.

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EXPECT REELECTION OF YAGER

The nominating committee to make selections for president, vice-president, treasurer, three members of the board of directors and two members of the patrol committee of the Chicago Board, consists of S. M. Buck, western manager Fireman's Fund, T. J. Byrne, Hugo Dalmar, J. I. Naghten and G. A. Rapp.

Reelection of L. E. Yager is taken for granted because the custom is for a president to serve two terms.

* * *

WHITEHEAD NAMED MANAGER

B. P. Whitehead has been appointed manager for the Consolidated Adjustment Service, Burnham building, Chicago. This firm investigates and handles casualty adjustments and is associated with the insurance law firm of Beverly & Klaskin. Mr. Whitehead formerly was Chicago manager for the excess office of the International Reinsurance, and prior to that Chicago manager Employers Reinsurance.

* * *

Western Manager **John F. Stafford** of the Sun has gone to Babson Park, Fla., to spend the holidays on his citrus fruit place.

* * *

John L. Walker, who has had his office in the One LaSalle Street Building, Chicago, has moved to A1622 Insurance Exchange. The Walker organization is writing all classes of insurance, fire, life and casualty and surety bonds.

Mortensen Named Receiver

Commissioner Mortensen has been appointed receiver for the Hayward Mutual Town, a small mutual assessment concern at Hayward, Wis. At the end of 1932, the company had assets of only \$175. Net assessments collected in 1932 amounted to \$3,114.

The Service Insurance Agency, **Harlan, Ky.,** has been formed by W. W. Cawood, H. C. Smith, H. T. Gilbert. The new agency will represent the Richmond of the Crum & Forster group and the **Sussex.**

NEWS OF FIELD MEN

Death Takes Ohio Veteran

C. T. Deatrick Was for Many Years State Agent of the Home of New York

C. T. Deatrick, Sr., of Columbus, O., 76 years of age, who retired as state agent of the Home of New York group

C. T. DEATRICK

in 1929, died early Christmas morning at his home. He is survived by a son, C. T. Deatrick Jr., in the insurance business at Columbus, and two daughters, Mrs. R. S. Cairns, Tampa, Fla., and Mrs. Harvey MacCauley of Columbus. A son Robert S., who was special agent of the Home in Ohio, died a few years ago. Mr. Deatrick had been ill for a week. He was one of the veteran field men of his day and served as president of the Fire Underwriters Association of the Northwest. He completed 50 years of service in Ohio, Sept. 24, 1925, when he was given a dinner by those associated with the Home group. Mr. Deatrick's father, the late J. F. Deatrick of Defiance, O., became local agent of the Home about the time of C. T. Deatrick's birth in 1858. The son started in his father's office and later became special agent of the Home in Ohio and Indiana. He built up a large organization and a fine business for the Home. He served as special agent of the Home in Ohio for a number of years and later became state agent in charge of the organization. Mr. Deatrick was one of the giants in the Ohio field. On his retirement from business a banquet was given at Columbus, Vice-President John A. Campbell journeying from the head office to do tribute to him. He was honor guest at that time of the field men of the state. He was familiarly known as "Ohio Pete," being one of the most loyal sons of the Buckeye state.

Fikes Succeeds Melton

E. H. Fikes, farm special agent for the Home of New York, who has been located at Republic, Mo., is being transferred to Florence, Kan., to succeed H. T. Melton, who has resigned after serving the Home about 17 years. Mr. Fikes has been connected with the Home about two years.

Wickes' Territory Changed

Perry B. Wickes, special agent for the Northwestern National at Spokane, Wash., has been assigned to cover Montana, Idaho and eastern Washington for that company.

Hallberg in Michigan Post

Local Agent and Former Field Man Is Appointed State Agent by Caledonian

Carl A. Hallberg, local agent of Muskegon, Mich., and former field man in that state, is returning to company service as Michigan state agent for the Caledonian, Caledonian American and Netherlands. He takes the place left vacant by the resignation of E. P. Rogers.

Mr. Hallberg started in the business as rating engineer for the Michigan Inspection Bureau, a position he held four years. He then joined the North British & Mercantile, traveling for that group in Michigan four years. He then spent four years with the Detroit Fire & Marine as Michigan state agent. Then he traveled for the Norwich Union in Michigan for seven years. In 1930 he purchased an interest in the Easton agency of Muskegon.

Headquarters will be at 1414 Ford building, Detroit.

F. C. Deggendorf Is Retiring

Veteran Indiana State Agent of National Fire Has Been With That Company 44 Years

F. C. Deggendorf, Indiana state agent for the National of Hartford, is retiring from service, after having been connected with the company 44 years. He has traveled Indiana for the last 27 years. Western Manager George H. Bell states: "His retirement, and the honorarium which will be accorded him, are, in effect, a reward for his devoted attention to the interests of our company."

Mr. Deggendorf, who had been residing in Dubuque, Ia., joined the National in its western department 44 years ago as office clerk. Later he was made an examiner and after several years' experience was assigned to the Indiana field, where he has been representing the Mechanics & Traders, Franklin National, Transcontinental, and Colonial Fire Underwriters as well as the National.

Temporarily Mr. Deggendorf's duties will be taken over by Special Agent Frank S. Grahn with the assistance of Special Agents E. P. Ressler, J. F. McMullen, and J. A. MacLean. All of these men have been working in Indiana under Mr. Deggendorf.

Hartford's Coast Changes

L. L. George, special agent for the Hartford Fire at Great Falls, Mont., has been transferred to Portland to cover Oregon. He succeeded A. A. Mankel, who was transferred to the Pacific department office in San Francisco.

Mr. George is succeeded by W. G. Bloomdahl, who has been manager of the insurance department of the Bank of Choteau, Mont.

Whitney Ayres With Sussex

Whitney S. Ayers has been appointed state agent of the Sussex Fire for Illinois and Missouri with headquarters at 4819 North Lowell avenue, Chicago. Mr. Ayers has been traveling for the M. L. Linton Company general agency of St. Louis. He was formerly in the Missouri field for the Phoenix of London.

Oklahoma Christmas Party

The Oklahoma Blue Goose held its Christmas party in Oklahoma City Dec. 26 with 200 in attendance. Three goslings were initiated. L. H. Bridges of

Chicago, most loyal grand gander, who was visiting T. Ray Phillips, grand custodian, was an honored guest.

Prizes were awarded for the 1933 Blue Goose handicap golf tournament, with first honors going to C. M. Lang, Great American, and second to W. C. Lincoln, North America. Arrangements were in charge of J. E. Wilkinson, state agent for Trezevant & Cochran.

Ohio Meeting Postponed

The Ohio Fire Underwriters Association has postponed its next meeting from Jan. 2 to Jan. 9. C. H. Mylander, vice-president Huntington National Bank, Columbus, will speak on the "Banking and Business Situation."

Consider Fraternal Arrangement

BIRMINGHAM, ALA., Dec. 27—The Alabama Field Men's Association has appointed the following committee to consider the advisability of organizing a mutual benefit association: E. G. Darling, Aetna, Birmingham; E. M. Phillips, independent adjuster; J. Y. Brame, Hartford, Montgomery, and E. M. Matthews, North America, Birmingham. It is considered likely that such a fraternal aid arrangement will be put into effect at the annual meeting in Birmingham in January.

Field Notes

The mid-winter party of the **Washington Blue Goose** was held Dec. 27 at Spokane.

The marriage of **Wilbur Phillips** of Portland, special agent in Oregon for the Security of New Haven and East & West, to Miss Ruth Macaulay of Portland is announced.

Drop Protective Department

ST. PAUL, Dec. 27.—The protective department of the Minnesota Bankers Association is being abandoned. C. D. Brown, who for more than 25 years has been in charge of this work and who is credited with solving many bank robberies, will retire Jan. 1. The association feels the state department of criminal apprehension now covers the ground heretofore handled by Mr. Brown.

New California Candidate

LOS ANGELES, Dec. 27—At his office in Los Angeles, Governor Rolph stated that the appointment of Leroy Goodbody, city councilman of San Diego, as California commissioner has been urged by southern California leaders and public officials. It is understood that E. Forrest Mitchell will relinquish the post within a few weeks.

Agents File Code Under NRA Plan

(CONTINUED FROM PAGE 1)

and the intimation was given that the outcome was very dubious. The agents therefore felt that sufficient time had elapsed and as nothing had been done the code must be filed. Tremendous pressure was brought to bear on the officials and executive committee of the National Association of Insurance Agents by members all over the country. At the annual meeting in Chicago, explicit instructions were given to have a code filed. However, the management felt that before final action were taken the companies should be given an opportunity to work out a plan in conjunction with the National association that would obviate the necessity of filing a code and permit disputes to be settled within the ranks.

Companies Fearful of the Effect

The companies are very fearful of the effect of the filing of a code as restrictive as the National Association of Insurance Agents worked out. They believe that this may be the starting point for the government to assume more and more authority over insurance. The agents, however, have reached the conclusion that there is no other way to gain their rights as they are as confident the companies are not able to agree among themselves as to how the business should be properly conducted. The agents set forth certain basic principles that they regard as sovereign to themselves and resent any intrusion or violation.

Agreement Seemed Remote

Some of the executives who attended last week's meeting of the general committee of the companies reached the conclusion that the possibility of arriving at an amicable agreement with the agents became more remote. Some of the company men are convinced that if the insurance folk as a whole, comprising home offices and agents, cannot get together, the NRA authorities will prepare a code embracing the activities of all branches of insurance including life. There will be a hearing, of course, on the adoption of the code filed by the agents. This will precipitate a battle royal. Life insurance so far has taken no part in filing a special code of its own, simply complying with the general code. The mutuals undoubtedly will exert a very potent influence and the American Mutual Alliance has already sent out to its members a questionnaire with very pertinent inquiries. Many of the mutuals do not employ agents. The non-agency companies therefore will oppose the adoption of any code that may interfere with their operations.

May Have Far Reaching Effect

Some officials go so far as to say that the filing of a code together with the discussion that will follow may have a far reaching effect on the American agency system. The brokers are not altogether in sympathy with the code filed by the National Association of Insurance Agents and their organizations may enter the lists and fight it.

Many here feel that the life insurance people may enter the picture if an attempt is made to adopt a code that will in any way affect them. When Paul Haid, president of the Insurance Executives Association, and James A. Beha, general manager of the National Bureau of Casualty & Surety Underwriters, appeared before General Johnson of the NRA in considering a code to be filed by the casualty, fire and marine people, he felt their cause was weakened by the fact they could not speak for the life people also.

Some company executives are not so fearful of results as others. They do not believe that there is any great danger of the government getting into the insurance business or attempting to regulate it with greater exactitude than would be useful to the business. The danger in the minds of many arises from the conflict of various interests, both among the companies and producers.

Chairman Sturm of America Fore Fleet Host to Staff

NEW YORK, Dec. 27.—Officers and department heads of the America Fore group were guests of Ernest Sturm, chairman of the board, at luncheon in the head office here Dec. 23. Guests were presented black leather pocket cases, individually initialed in gold, and at each place was Mr. Sturm's Christmas card bearing Italian scenes photographed by him.

Following a turkey menu, President B. M. Culver on behalf of officers, presented Mr. Sturm a silver beverage set. Chairman Sturm took his guests on an entertaining word tour of Italy, revisiting places which he and Mrs. Sturm had seen last summer. He stressed particularly Pompeii, Genoa, Pisa, Florence, the hill towns of Italy, Venice, Verona and the lake country. He concluded with thanks to the staff for cooperation.

Chairman Sturm presented Vernon Hall, vice-president in charge of claim departments of the fire companies, with a gold watch fob, emblematic of 25 years' service.

I. D. Clark Passes Away

I. D. Clark, vice-president of the New Brunswick Fire of New Jersey, prior to the company's control passing to the Home of New York, died Dec. 22. In earlier years Mr. Clark was connected with the Royal Exchange, then under the management of Robert Dickson. Mr. Clark was father of J. M. Clark, executive special agent of the New York Underwriters in Chicago.

Bond With Newhouse & Sayre

Hunter Bond, veteran Chicago insurance man who formerly was in charge of the Insurance Exchange branch of the American Motorists, is associated with R. M. Simpson, manager for Newhouse & Sayre in Chicago, U. S. general agents for the Home fleet for all-risks, in a production capacity.

Van Schaick Extends Time

Superintendent Van Schaick of New York has granted an extension of three months from Jan. 1 to brokers for filing supplemental data required in their applications for certificates of authority for the new year.

Associated Reinsurance Dissolved

An order for final dissolution of the Associated Reinsurance has been signed by the New York supreme court. The company, which transacted fire reinsurance business only, ceased operations some time ago. All claims have been paid in full and there are no outstanding liabilities.

Four Brokers Get Corn Insurance

(CONTINUED FROM PAGE 1)

ing agencies and not direct by the CCC, there will be a considerable number of direct loans and the assumption is that insurance has already been placed covering the interest of the CCC. There has been no official announcement, however, as to just what these arrangements are. One report is that the coverage is in the form of a bond.

Question of Conversion

Another angle to the insurance question that is still up in the air is the placing of conversion and/or theft insurance on the grain on which banks have made loans. Apparently, very few banks are requiring that this form of coverage be placed. Whether the open policy covering the interest of the CCC offers conversion coverage is not known.

The warehouse laws in the various states are being studied by insurance people. The first such law was passed in North Dakota in 1929 to enable farmers to borrow money on their harvested crop, by setting up machinery for inspecting the grain, sealing it and issuing farm warehouse certificates. After these formalities have been completed, the farmer could seek a loan from banks or other lending agencies on the warehouse certificate. Of course, at that time, a private lending agency would loan perhaps only 30 percent of the market value of the corn, but it was a means for the farmer to raise some cash and yet hold the crop for higher prices. Under the CCC corn loan plan, the farmers are loaned 45 cents a bushel on the corn, which is higher than the market price.

The Commodity Credit Corporation is utilizing the machinery that was set up in the state storage act. Aside from the new Missouri warehouse law, the only other storage act which has an insurance provision is that of North Dakota. In that state, the requirement is that all grains stored and sealed shall be insured for fire and windstorm and the policies deposited with the grain storage commissioner, inuring to the benefit of those holding the certificate and to the owner and any encumbrance or lienholder.

The South Dakota law provides for farm warehouses, but leaves the matter of setting up the machinery to the individual counties. Those counties that desire to take advantage of the opportunity are permitted to set up machinery. Therefore, the CCC is making its corn loan facilities available only in those South Dakota counties, which have set up the necessary machinery.

Federal Regulation Deemed Not Ideal in All Respects

(CONTINUED FROM PAGE 1)

sirable. The prospective policyholder now can choose to buy protection either from a company domiciled in a state with high standards or one with low standards of regulation. This selection favoring the state with higher standards is a constructive force in improving insurance laws throughout the country.

Another Serious Aspect

Uniform legislation may be uniformly good or uniformly bad. For one state to pass unwise legislation is enough of an evil, he said, but a similar act effective throughout the country would be tragic. At present it can be anticipated that new practices and methods would not be adopted nation-wide until they had been proved successful in states which first tried them out.

Professor Dickinson asked whether federal control would bring improvement. He assumed that it would affect only insurance transactions between persons in one state and insurance companies located in another state; that states' rights within their borders would not be infringed upon. Under such arrangement, there would be disparity between inter-state and intra-state insurance transactions. In addition, policy forms could be approved only by the federal official in authority, who might disagree with the combined ruling of several state insurance commissioners. If he would always acquiesce in recommendations of the commissioners' convention, then federal control would be a myth. This dual system would not make for uniformity unless state supervisory officials would bow to the federal commissioner, or vice versa.

Factor of Politics Enters

It would be unreasonable to expect Congress to become insurance-minded in a single session. There would not be in federal acts for some time to come, the background of a century or more of experience enjoyed by the states. Members of Congress representing debtor states of the west and south might be sorely tempted, Professor Dickinson believes, to pass laws favoring their constituents even at the expense of insurance companies and policyholders.

He asked whether federal supervision would result in lower taxes, greater efficiency and a lessening of political influence. Rarely in American experience has a governmental plan for supervision of an industry been unaccompanied by new taxes, he said. The government might be in position to employ better trained insurance men than state departments, but the chief officer still would be an appointee of the political party in power.

Brandt, All-Risks Expert Plans to Reenter Field

NEW YORK, Dec. 27.—W. B. Brandt, former head of the San Francisco general agency bearing his name, which has been taken over by the Pacific Coast office of the Commercial Union, is in the east seeking the representation of other companies with which to reenter the agency field. Mr. Brandt was among the first agents in the United States to write all-risk covers. Immediately following the San Francisco conflagration of 1906 he developed a large all-risk business for London Lloyds, the profitable outcome of which induced the Commercial Union to give Mr. Brandt a commission to represent it for the class in this country. He will probably maintain headquarters in San Francisco.

NEW YORK NEWS

HAS APPRENTICESHIP BILL

The Insurance Brokers Association of New York has started a concerted drive against part time salesmen in the business. A so-called "apprenticeship bill" is being drafted to be submitted to the legislature requiring that persons holding brokers' licenses will have to serve at least one year in the office of a company agent or broker before being qualified.

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GANS REENTERS SALVAGE FIELD

Leopold Gans, who was formerly associated with his father, the late Samuel Gans, in the salvage business at Chicago from 1886 to 1914, is reentering the same line in New York City, having incorporated the Leopold Gans Salvage Company at 135 William street. The Gans people had a New York branch for some 12 years. The house had an excellent reputation and did a large business.

Inexperienced Agents Seen as Dangerous in Insurance

PROVIDENCE, R. I., Dec. 27.—One of the greatest dangers confronting insurance companies in Rhode Island and throughout the country is the army of untrained and inexperienced agents now in the field, declared Commissioner Heltzen in an address before the Bristol Rotary club. He said the work of many of the unemployed who have taken up insurance selling as a last resort is a serious detriment to older and experienced agents who are trying to hang on to their business. The department is giving written tests to determine a prospective agent's ability and knowledge of insurance.

Rates Revised for Musical Instrument All-Risk Forms

Rate revisions for musical instruments all-risk policies become effective Jan. 1, so far as members of the Inland Marine Underwriters Association are concerned.

The minimum premium for non-professionals is now $10, instead of $5 and for professionals $15 instead of $10.

Up to $499, the new rates are: non-professionals, 2 percent and professionals 3 percent; from $500 to $1,499, non-pro-pressionals 1½ percent, professionals 2¼ percent; $1,500 to $1,999, non-professionals, 1¼ percent; professionals 1.50 percent; $2,000 to $4,999 non-professionals 90 cents, professionals 1.25 percent; $5,000 to $7,499, non-professionals 75 cents, professionals, 75 cents; $7,500 to $15,000, non-professionals 62½ cents, professionals 62½ cents.

Those are the rates for the broad form. The limited form is sold at a discount of 10 percent. Risks involving values in excess of $15,000 may be submitted for special rates and conditions, otherwise the rates applying to a valuation of $15,000 will be charged.

Orchestras, bands or similar groups, the instruments of which are owned by the individual members, take the regular rates and minimum premium as if individually insured.

Risks involving duly organized orchestras, bands or similar organized groups (where the instruments are not owned directly or indirectly by the individual members) may be written under a single schedule policy at the rate applying to the total amount of the schedule.

Miscellaneous Notes

The **Motor Transportation Insurance Agency**, 410 Arcade Annex, Cleveland, has been incorporated by Paul Clarke, H. E. Zetarr and E. J. Chesney.

John A. Harvey, formerly assistant secretary of the Missouri State Life in charge of the real estate department, has opened an agency in the International building, St. Louis.

Claim Agitation Is Doing Much Harm

(CONTINUED FROM PAGE 3)

my opinion, the agents are simply courting the 'big black wolf.'

"I earnestly believe the casualty and fire insurance business has given a most excellent account of itself. We have gone through the depression and have had problems of a most complicated kind before us, we have had obstacles and conditions that seemed overwhelming. Yet we have come through in magnificent shape. It is true that some companies have fallen by the wayside but after all a comparatively few. The causes of these failures are well known. There have been errors of management on part of some and exploitation on part of others. There have been some companies that have had able executives but they used poor judgment in their business policy. They got too far from the beaten path and attempted to run counter to underwriting and economic principles that have been taught us for generations as being safe. Yet the companies that have weathered the gale have come through in very commendable shape.

Companies Are to Be Commended

"There has been mighty little chicanery, trickery and mismanagement. Altogether I think that our companies are to be commended for what they have done. There are some conditions in the business, both fire and casualty, that should be improved. We cannot do it in the twinkling of an eye. It takes time to accomplish primary undertakings, especially when customs and practices are deep seated and have been in a state of evolution for many years. When, however, our own agents charge us with mismanagement, inefficiency, wastefulness, extravagance, etc., the reflection on us is severe. It is just this sort of stuff that is being used against us by our non-stock competitors and they are employing it very effectively.

"These discussions and radical statements leave the impression that there is something very materially wrong in the stock insurance realm. We know that such is not the case. We realize that there are controversies that should be settled. We hope through the machinery that we are setting up to harmonize some of these differences. There should not be these charges and counter charges because they harm our business materially."

Following are the most recent entries in the **Inter-Chamber Fire Waste Contest** conducted by the National Fire Waste Council, under the auspices of the insurance department of the Chamber of Commerce of the United States: Brawley, Concord, Crescent City, Glendora, National City, Pittsburg, Riverside and Sonora, Cal.; Brunswick, Ga.; Vincennes, Ind.; Reno, Nev.

COMPANY NEWS

Pacific National Fire Field Men, Officials, in Session

SAN FRANCISCO, Dec. 27.—Field men and department heads of the Pacific National Fire will attend a two-day convention in this city Dec. 28-29. A banquet will be held on the 29th. W. L. Wallace, vice-president, will welcome delegates and turn the meeting over to Elmer Bonstin, vice-president. Other speakers will include R. J. Mayle, D. E. Eveleth, L. E. Best, Franz Seitz, C. L. Larson and other field men.

Central Manufacturers Move

The Central Manufacturer Mutual of Van Wert, O., announces that all its policies are now on the non-assessable basis except those in Massachusetts. Nearly all the states now provide that mutuals may issue non-assessable policies when their surplus is equal to the minimum capital required of stock companies. In most states the capital requirement is $100,000. The surplus of the Central Manufacturers Mutual is now more than $2,000,000.

Binnie Made Associate

C. E. Sword, manager of the Union of Canton and its affiliated companies in Canada, has appointed J. W. Binnie, formerly Canadian manager of the Globe & Rutgers, as a member of the executive staff of the Union of Canton group. He will be associate manager. He will have his office in the Lewis building at Montreal.

Bigelow Reports Gains

ST. PAUL, Dec. 27.—F. R. Bigelow, president of the St. Paul Fire & Marine group, reports that business of his companies for the past four months has been moving upward. He is quoted as saying that the efforts of the federal government to bring about business recovery are getting results.

Company News Notes

The **American National** Fire has withdrawn from Colorado and Wyoming.

Directors of the **Buffalo** have declared a dividend of $3 a share and also an extra dividend of $2, both payable Jan. 2.

The **Pearl Assurance** has been licensed in Iowa for direct writing and the **Switzerland General** Insurance for reinsurance business.

The **Mississippi Fire** of Jackson, Miss., has temporarily discontinued writing fire and tornado policies, all in force to expiration having been reinsured in the American of Newark.

The **American & Foreign Underwriters** of the American & Foreign will apply for licenses in Colorado, Wyoming and New Mexico. H. P. Giberson of the American & Foreign, Denver, will be department manager.

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Economy, Thrift, Good Management

A half century ago a famous economist, Professor Sumner of Yale, gave some wholesome advice to his classes in his lectures as to proper readjustment of business in time of adversity. Professor Sumner said that there were three factors that should be constantly kept in mind in reorganization, revamping or readjustment, they being economy, thrift and good management. He considered these basic. In a day of depression or disaster he counseled application of these factors to public administrative work as well as to private business.

We have had this year an exemplification of the wisdom of the advice given by the Yale economist. Business organizations that are emerging with credit to themselves and will continue adopted this very policy. The fact that economies were introduced by companies, that saving was made here and there and errors of management corrected shows in the results of the year. Most insurance companies are in far better shape than they were a year ago. The feeling at home offices is more optimistic. Managing officers have studied their own problems and have met them intelligently.

There are no artificial means that can be used by business organizations that will do the work in place of the three factors Professor Sumner presented. A pulmotor might be used on a dying institution in the attempt to revive it but it would have no value to an organization that had in it the real elements of progress and permanence. Artifices of various kinds that are specious will not bring much result nor can an institution pull itself up by its boot straps. Normal processes that have been tried and tested by experience and found practical will bring improvement. Those organizations that have put into effect real economy and thrift and have exercised the best judgment that good management dictates are going forward satisfactorily and will continue to make progress.

Chance for Business Building

With business having adjusted itself to new conditions and with concerns of all kinds and individuals having acclimated themselves far more agreeably to the economic demands, there is doubtless an opportunity for building on part of companies. There will not be the opportunity for any material increase along natural lines but the day undoubtedly has arrived when a company will be justified in extending itself normally. Some companies made the mistake of endeavoring to force unduly their field workers and agents, demanding the impossible. For example, some companies issued a pronunciamiento to their field men that they would expect a 15 percent increase during 1933. This was a ridiculous call if that increase were expected from the old organization. Agents are ready to respond when there is some merit and logic to a demand. Some companies have increased their agency plant and have secured an even break or perhaps a little increase in premium because of the additional organization. Field men who are sagacious and far-seeing are taking advantage of the time to build for the future. They are doing constructive work among agencies.

Getting Ahead of the Crowd

Insurance Commissioner Dunham of Connecticut complains of the fact that there are too many insurance agents, declaring that many unsavory practices that plague insurance are attributable to the fact that there are too many salesmen for the amount of business available. Undoubtedly there are too many agents, too many insurance companies, too many insurance papers, too many adjusters, too many clerks, too many organization men. One can go up and down the line in all the various activities and find them all overcrowded. The best way to get away from the big parade is to be so efficient that one leaves the others far behind.

PERSONAL SIDE OF BUSINESS

Cyrus R. Chapman, Wisconsin state agent of the Millers National and Ohio Farmers, and Mrs. Chapman announce the birth of a daughter, Ferne Decker.

C. F. Barnard, well known adjuster, who formerly was located at Chicago and later at Cleveland in charge of the Western Adjustment office, has spent the last few weeks in his old haunts in Ohio and last week called on friends in Chicago. Mr. Barnard is now residing in San Francisco, partly retired and partly adjusting.

One of the papers in Ishpeming, Mich., paid a notable tribute to **George B. Sedgwick,** late assistant western manager of the Great American fleet, whose mother resides at Ishpeming, which is the old home of the Sedgwicks. The paper had an editorial, "Every Day Was Mother's Day," the article being as follows:

"There would be no necessity for an annual observance of mother's day if all children were as dutiful as the late George B. Sedgwick, who, during the many years that he made his home in Chicago, where he was prominent in the insurance field, wrote a letter every day to his mother in Ishpeming. A lovable character, one can readily understand why he kept her in mind constantly. It must be a source of great satisfaction to the mother to know that she reared such a worthy son."

E. T. Cairns, president of the Pacific Board, in behalf of his organization presented San Francisco Insurance Post 404 of the American Legion with a stand of colors. The ceremonies were held Dec. 28, and were attended by many representatives of the San Francisco insurance fraternity.

J. K. Shepherd, Little Rock, Ark., general agent and former president of the American Association of Insurance General Agents, has been advanced from vice-president to president of the chamber of commerce there. **Gordon H. Campbell,** general agent Aetna Life, was elected a member of the board.

J. S. Rawson, former secretary-treasurer of the Northern Mutual of Des Moines, died while on a visit in Vermont at the age of 66.

Guy A. Randolph, 60, Virginia state agent for the Federal Hardware & Implement, with Richmond headquarters, died recently.

Death claimed **Frederick H. Sabin,** secretary of the North British & Mercantile companies, at his home in Ridgewood, N. J., early Christmas morning, following a very brief illness, he having been at his office the preceding Friday. He sustained an attack of flu some weeks ago which left him in a weakened state. He remained home for some time but about two weeks ago returned to work.

Mr. Sabin is survived by his widow, a daughter of the late H. C. Eddy of Chicago; a daughter, Mrs. E. S. MacAleer; a son, F. H. Jr., and his mother, Mrs. G. S. Sabin of Oshkosh, Wis. The son is special agent in Minnesota for the National Union Fire, having resigned as Illinois special agent of the Corroon & Reynolds companies to assume the connection six months or more ago.

A native of Marine Mills, Minn., Mr. Sabin spent his entire business life except for a brief connection with the United States Fidelity & Guaranty in Nebraska, in the fire line. His father, George F. Sabin, was an insurance man and had a reporting company at Oshkosh, Wis., with which Fred H. was connected for a couple of years. Mr. Sabin was formerly a St. Paul local agent, being a member of the firm of North & Sabin.

His association with the North British & Mercantile group dates from 1913, when he was appointed special agent in the central department of the Commonwealth. Four years later he was called to the head office as assistant manager of the department, so remaining until 1919 when he was advanced to the assistant managership of the Pennsylvania Fire at Chicago. Three years later he was transferred to Detroit and given the vice-presidency of the Inter-State Fire, another of the associated companies. His next move was to New York City when in 1925 he was named secretary of the group and placed in charge of the entire inspection service. A keen student of the fire business he skillfully analyzed the writings of the companies; a work highly appreciated by his superior officers. Of a kindly disposition Mr. Sabin had many warm friends among underwriters of both the east and west.

The interment will take place at Oakwoods cemetery in Chicago, Thursday afternoon of this week, there being funeral services in the chapel at 3 p. m. He will be interred in the lot where H. C. Eddy is buried.

Cleveland friends of **C. G. Hale** have offered their congratulations to the young author on his new book, "An Approach to Fire Insurance," just published by the Spectator Company. The book is particularly adapted for use of those who are starting in the insurance business, but it also contains much of value for the experienced. The book contains copies of the new and old New York standard fire policies and an excellent chapter on the coinsurance clause. Mr. Hale is connected with the Hale & Hale Company and is a trustee of the Cleveland Board. He is at present giving a series of lectures at Fenn College on insurance.

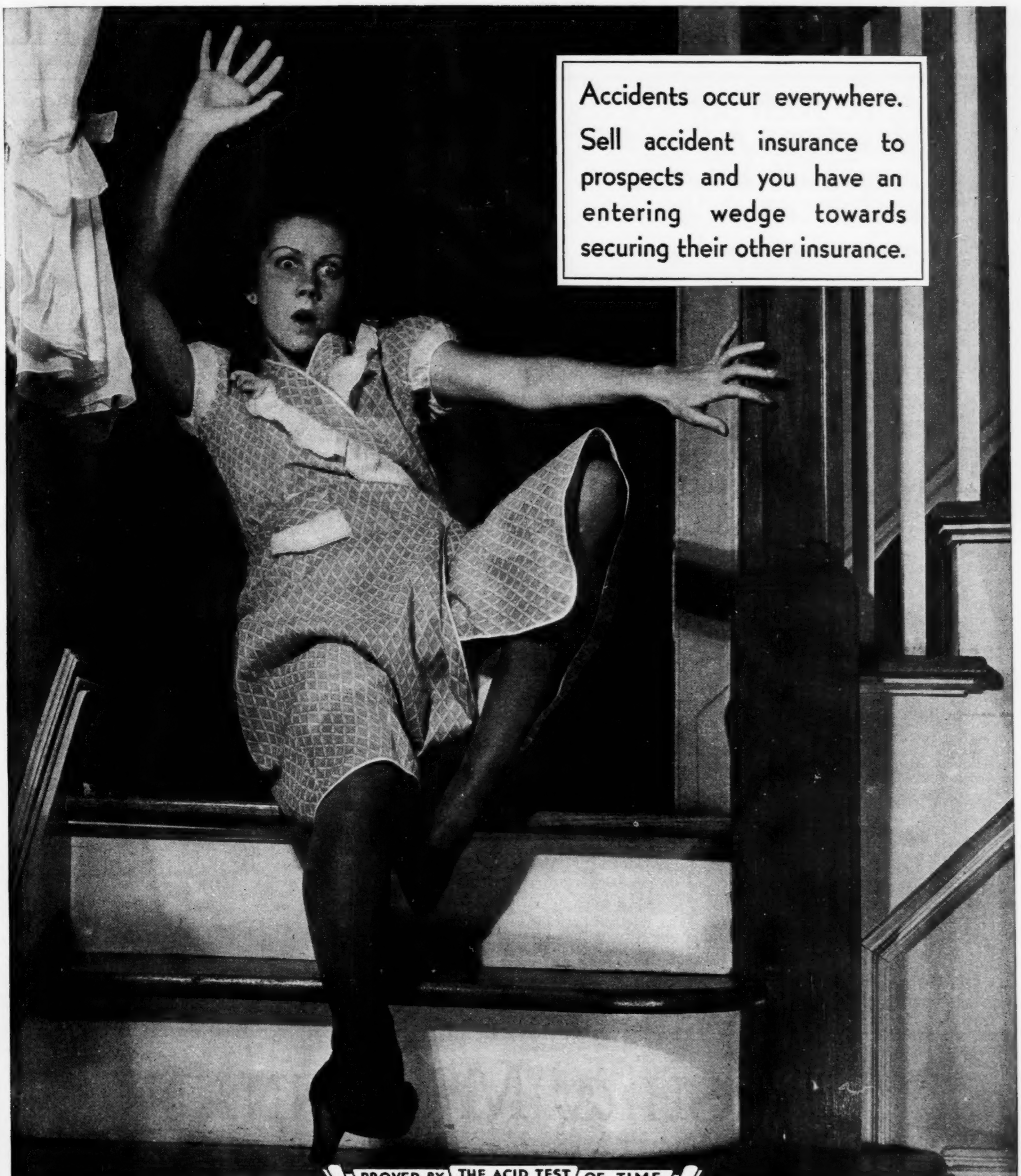
Superintendent **Charles T. Warner** of Ohio entertained 60 members of his staff at a Christmas party at his home in Columbus Friday evening. Judge Warner was presented a brief case and Deputy Superintendent L. H. Kreiter a lamp.

INSURANCE STOCK QUOTATIONS

By H. W. Cornelius, Bacon, Whipple & Co., 135 S. La Salle St., Chicago, at close of business Dec. 26

Stock	Par	Div. per Share	Bid	Asked
Aetna Cas.	10	1.60	44½	46½
Aetna Fire	10	1.60	29	30
Aetna Life	10	...	14½	15½
Amer. Alliance	10	1.00	13	15
American, N. J.	2.50	.50	6¾	7½
Amer. Surety	25	...	12½	14½
Automobile, Conn.	10	1.00	18	20
Boston	100	16.00	395	410
Carolina	10	1.00	13	15
City of N. Y.	100	7.50	110	119
Continental Cas.	5	...	9¼	10¼
Continental Ins.	2.50	1.20	24	25
Fidel.-Phenix	2.50	1.20	23½	24½
Fire Assn.	10	1.00	32	33
Fireman's Fund.	5	3.00	46	48
Fireman's F. Ind.	10	...	17	20
Firemen's	5	...	4	4¾
Franklin Fire	5	1.00	15½	16½
Glens Falls	10	1.60	25	27
Great Amer. Ind.	1	...	5½	7½
Great American.	5	1.00	13¾	14¾
Hanover	10	1.60	22	23
Harmonia	10	*1.00	15	17
Hartford Fire	10	2.00	38	40
Home, N. Y.	5	1.00	16	17
Ins. Co. of N. A.	10	2.00	36	38
Maryland Cas.	1	...	1	1½
Mass. Bonding	25	...	10	12½
National Cas.	10	...	3½	4½
National Fire	10	2.00	39	41
National Liberty.	2	* .20	3¼	3¾
National Union	20	...	52	55
New Amst. Cas.	5	1.20	9	10
New Brunswick.	10	1.00	15	16
North River	2.50	.60	14	15
N. W. National	25	5.00	80	83
Occidental	10	...	14	15
Phoenix, Conn.	10	2.00	47½	49½
Prov. Wash.	10	.80	19	21
Sprgfld. F. & M.	25	4.50	74	76
St. Paul F. & M.	25	6.00	112	115
Travelers	100	16.00	315	325
U. S. Fire	4	1.20	29	31
U. S. Fid. & G.	2	...	3	3½
Westchester	2.50	1.00	17	18

*Paid during 1933.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FIRE INSURANCE NEWS BY STATES

MIDDLE WESTERN STATES

Study Cleveland City Cover

Citizens League Recommends Private Coverage Be Continued—Criticizes State and City Funds

CLEVELAND, O., Dec. 27—Since Mayor Davis of Cleveland pledged himself in favor of a city insurance fund to cover fire losses on municipal property, the Citizens League, a non-political organization, has given its consideration to the issue. In its official bulletin it was recommended that private company coverage be continued.

There are four possibilities for a city, says the bulletin. The city may (1) obtain fire insurance from private insurance companies; (2) get protection from an established state insurance fund as in the case of Wisconsin; (3) maintain its own replacement fund as now advocated by Mayor Davis; or (4) carry no insurance protection and meet fire losses with bond issues or general revenues as in the case of New York, Chicago, San Francisco, Washington, Cincinnati and other cities.

Principal objection of buying private insurance in the case of Cleveland is that the city has paid out more in premiums than is collected in losses. Establishing a state insurance fund provides a problem and it smacks of too much government in business competing with well-established and efficient private insurance companies. The local fund provides the same competition in a smaller degree and in the case of real disasters is inadequate. Carrying no insurance and meeting losses from general revenues or bond issues would be unsatisfactory because the city is frequently up to its bonding limit.

The problem, says the bulletin, would be greatly minimized by improving the fire department and fire prevention measures. The city of Cleveland in these days of depression is without sources of revenue to establish a fund. Necessity of purchasing insurance from private insurance companies offers the only recourse of the city at this time.

Middle Western Notes

The **Old Reliable Insurance Agency,** Elkhart, Ind., has been incorporated by F. E. Berton, N. E. Reiff and E. M. Essig.

H. M. Yule, 55, local agent in Kenosha, Wis., since 1915, was found dead of asphyxiation in his garage. The coroner returned a verdict of accidental death.

V. G. Rozelle, who is associated with his father, G. M. Rozelle, local agent at Anderson, Ind., will be married to Miss Virginia Mae Leffingwell of Anderson Dec. 31.

Survey Made by Mortensen

Wisconsin Commissioner Finds Farm Merit Rating Plan Produces 21.7 Percent Rate Increase

MADISON, WIS., Dec. 27.—The Wisconsin department has received a survey of 114 farm risks on which the merit rating system proposed for this state has been applied. Some time ago Commissioner Mortensen and Chief Rater C. M. Park surveyed a number of farm risks in the Madison area, making application of the merit rating plan and studying its effects.

The report on the 114 risks shows the system would produce a 21.7 percent general increase. The greatest increase of any one class under this plan is on the auxiliary buildings of the farm, this report shows, the average increase being 28 percent, while dwellings under the merit rating system would receive about a 19 percent increase and barns 10 percent. The rate on silos would be decreased 3 percent. This survey was made on farms in practically all sections of the state, the greatest number being in Winnebago county.

When companies asked to have the merit rating system established for farm risks in Wisconsin, they estimated that it would result in an increase of between 20 to 25 percent in rates.

Commissioner Mortensen made no comment on the report, but said that it would be given thorough consideration by the department before a decision is given, probably within two or three weeks.

Grider of Western Factory Is Detroit Board Speaker

"Why manufacturers buy mutual insurance" was the title of an address by H. L. Grider, assistant manager Western Factory, before the monthly meeting of the Detroit Association of Insurance Agents.

Mr. Grider said a mutual salesman has the advantage of knowing not only his own system, but of having access in advance of his solicitation to stock company rates, forms, rules and regulations.

Mr. Grider explained the usual approach of the mutual salesman and some of the points that these solicitors bring out. Successful competition on the part of stock insurance agents depends largely, he said, on their salesmanship. An agent, who is busy with multiple line business and is not posted on the lines in which the Factory Mutuals specialize, is about as helpless when confronted with this sort of competition as a layman would be in a court of law, trying to defend himself with shrewd counsel opposing him.

J. Alfred Grow, Homer Warren & Co., was named chairman of a special committee to prepare a memorial to the late C. D. Livingston.

Withdraw From Linton Agency

The Dixie Fire, Sussex Fire and Associated Indemnity have withdrawn from the general agency of the M. L. Linton Company of St. Louis covering Illinois and Missouri. The Dixie Fire goes to the western department of the American at Rockford, Ill. The Sussex has appointed W. S. Ayers as special agent for Illinois and Missouri.

Moran Opens Adjusting Office

The Moran Adjustment Company, 701 Bankers building, Milwaukee, has been organized by John F. Moran. The organization is fully equipped to handle investigations and adjustments for insurance companies on all fire and casualty lines. Mr. Moran, a veteran of the world war, has had more than 15 years home office and field experience and training in investigating and adjusting. He also practiced law in New York state for four years.

Opposes Tugwell Bill

DETROIT, Dec. 27.—C. E. Freese of Detroit, past president Michigan Association of Insurance Agents, has asked its members to communicate with senators and representatives in Washington opposing the Tugwell bill, which he says if passed will result in the probable closing of thousands of drug stores throughout the country. Mr. Freese also declares it will affect railroads, motor trucks, warehouses, advertising, broadcasting, newspapers and magazines and will involve millions of dollars annually in fire and casualty premiums.

Wisconsin Mutuals Elect

MILWAUKEE, Dec. 27.—George A. Jacobs, secretary of the Citizens Mutual Fire and the Dairyman's Mutual of Janesville, was reelected president of the Wisconsin State Association of Mutual Insurance Companies at the annual meeting here. Henry Weihbrecht, Badger Mutual Fire, Milwaukee, was named vice-president, and T. R. Schmidt, Kewaskum Limited Mutual, was reelected secretary-treasurer. These officers with A. C. Fuge, West Bend Mutual; A. M. Anderson, Neenah, National Jewelers Mutual; George Jansses, Mayville Limited Mutual, and H. U. Brown, Stevens Point, Hardware Dealers Mutual, are directors. Mr. Jacobs and Mr. Brown were nominated to represent the mutuals on the management committee of the Fire Insurance Rating Bureau.

Ohio Leader

F. P. O'CONNOR

F. P. O'Connor, who was elected vice-president of the Ohio Association of Insurance Agents at the last annual meeting, is much more than a "Throttlebottom" in that position. He has been in the forefront in several important undertakings of the association in recent weeks and is one of the big factors in the reorganized association.

Mr. O'Connor is president of the O'Connor-McCune Company agency of Lima. The agency was established by his grandfather in 1864, and continued by him until his death in 1898. It was then continued by Mr. O'Connor's father until his death in 1915 and Mr. O'Connor has been in charge since then.

"I first entered the business actively in 1911," Mr. O'Connor states, "and, except for the usual side issues, in which we all engage and lose what we have made at our own business, I have never been engaged in anything except insurance work and, with fortune permitting, hope to continue so."

Effect of Proposed Tax

On the basis of taxes paid by fire insurance companies last year, the bill before the special session of the Minnesota legislature to double the present 2

percent levy on gross fire premiums in St. Paul, Minneapolis and Duluth would cost the companies some $93,000. These taxes are used to maintain the firemen's pension fund in those three cities.

Last year Duluth received $13,121, Minneapolis $53,476 and St. Paul $27,-377. In 1929 Duluth received $18,591, Minneapolis $76,672 and St. Paul $37,-422.

Kansas City Board Elects

KANSAS CITY, Dec. 27.—F. W. Wilbur of the McCluer-Wilbur Underwriting Company was reelected president of the Insurance Agents Association at the annual election this week. Moulton Green of R. B. Jones & Sons was named vice-president, and F. V. Griffith, W. B. Johnson & Co., treasurer. In addition to Mr. Wilbur and Mr. Green, the executive committee consists of H. S. Nelson, Phister Insurance Company; D. B. Child, Frank McGee, Thomas McGee & Sons, and R. J. Pierson.

M. K. Dubach continues as executive secretary.

Speak at Fire Conference

ST. LOUIS, Dec. 27.—At the annual meeting of the Fire Department Instructors' Conference here Jan. 3-5, R. E. Vernor, Western Actuarial Bureau, will preside. Among the speakers are G. T. Cook and Clarence Goldsmith of the National Board; M. I. Parker, engineer of the Missouri Inspection Bureau; H. K. Rogers, Western Actuarial Bureau, and J. W. Just, Illinois Inspection Bureau.

Mutuals May Get U. S. Loans

LANSING, MICH., Dec. 27.—The special session of the Michigan legislature just before adjournment passed an act that will allow farm mutuals to take advantage of the loan facilities of the federal government. The approval of the insurance commissioner is required and if delinquencies in collection of assessments levied by the mutual exceed 15 percent in the fiscal year, the commissioner may take steps for collecting such assessments, bringing suit on behalf of the company or ordering additional assessments if necessary.

Children on Wisconsin Program

At the Christmas party of the Wisconsin Women of the Blue Goose children of some of the members had an opportunity to show their accomplishments. Musical selections were given by Donald Ely, John Telin, Mary Jane Telin and James Swartout. A dance was very gracefully executed by Miss Betty Daniel, and a most interesting recitation was given by Miss Sylvia Nicholson. Mrs. Ladd rendered a vocal solo and Mrs. C. R. James gave an inspirational Christmas talk.

Southern States Local News

Confer on Dual Agency Rule

Birmingham Agents Attempt to Work Out Satisfactory Compromise Agreement on Company Representation

BIRMINGHAM, ALA., Dec. 27.—Committees representing the Birmingham Association of Insurance Agents and non-association agents are conferring to iron out a cleavage that threatens when the new dual agency rule of the association goes into effect Jan. 1.

Objection of the non-association agents centers around a clause in the constitution and by-laws which provides that after Jan. 1 association members shall not accept or retain the agency of any company which is controlled in Birmingham by a general agent or manager who has another local agency not a member of the association. The non-association agents seek some modification of this clause.

Both sides on the issue of company representation express a hope that a compromise can be worked out, so that all agents may become members of the association which a few months ago was reorganized with a virile setup and a full-time secretary-treasurer. Conferees representing the association are T. A. White, president, C. V. Cornell and Robert Gregory. Representing the non-members are Thomas Beach, Herbert Levy and A. T. Simmons.

Company Men Are "Sold" on Texas Stamping Office Idea

NEW YORK, Dec. 27—While a number of fire company officials were skeptical regarding the proposed establishment of a stamping office in Texas, largely through fear of adding to the expense of operating, the clear explanation of conditions in the state made by R. S. Mouk, fire commissioner, at the recent meeting here, convinced them of the desirability of the program. The cost of the intended service will be moderate and a checking of rates will insure all companies getting manual tariffs on both fire and windstorm coverages.

Commissioner Mouk stated a check-up by his department of several thousand dwellings and mercantile risks revealed that fully a third were written at less than tariff rates, in the light of which fact he bluntly asked as to how the companies could rightfully ask for an increase in existing figures. The new service will be launched about the first of the year.

Check Brokers' Activities

BIRMINGHAM, ALA., Dec. 27.—On petition of the Birmingham Better Business Bureau the Alabama securities commissioner has ordered A. P. Sloss and

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A. J. Krebs, two Birmingham brokers, to cease dealing in the stock of the Bankers Fire & Marine of Birmingham.

When the two brokers, representing minority stockholders by proxies, endeavored to throw the company into receivership, Superintendent Greer intervened in the case and the court held that only Mr. Greer could ask for the receivership of a domestic insurance company and that Sloss and Krebs were without legal grounds on which to stand.

Honor Wortham at Houston

Gus S. Wortham of John L. Wortham & Sons, recently elected president of the Houston (Tex.) Chamber of Commerce, was honored at a luncheon given by the Houston Insurance Exchange. L. B. Baker, president of the exchange, presided. Among the speakers were J. W. Evans, W. Tucker Blaine and Kemp S. Dargan. Members of the exchange presented Mr. Wortham a watch as a token of their appreciation.

E. Woodward, 65, local agent at Stanton, Tex., for 25 years, died of a heart attack.

News of Pacific Coast States

Signing Coalition Agreement

East Bay Agents Association Reports Nearly All Members Have Endorsed Pact

SAN FRANCISCO, Dec. 27.—Signatures of practically all members of the East Bay Association of Insurance Agents (Oakland), have been obtained to a "coalition agreement" pledging themselves not to represent any company or group, manager or general agent writing fire and allied lines unless these sign the "non-overhead writing agreement." The plan is expected to be effective Jan. 1.

The agreement stipulates that the company shall require countersigning by its agent, who is a member of the East Bay association, of every policy covering fire, lightning, earthquake, tornado, explosion, riot and civil commotion and/or sprinkler leakage hazards (except reinsurance as provided below), covering in the East Bay territory. The agent shall have the same unabridged right to place insurance covering property located in the city and county of San Francisco.

Agents Make Concession

Agents agree to concede to other resident agents of the company the same consideration.

Exceptions are: 1. Policies written for members of the Insurance Brokers Exchange of San Francisco; 2. Emergency policies requiring immediate delivery by the company, in which case daily report and name of agent or broker shall be furnished to one of its agents who is a member of the East Bay association, within the month of issue, and premium, commission and/or brokerage allowance shall be included in the agent's account current.

Gaining Support for Project

Company Managers Are Enthusiastic Over Pacific Board Farm Insurance Proposal

SAN FRANCISCO, Dec. 27.—Proposed plans for establishment and maintenance of a farm risk inspection and underwriting bureau within the Pacific Board are receiving additional support from company managers almost daily. Companies are awaiting further word from the California Association of Insurance Agents as to their attitude toward contributing to establishment and maintenance of the bureau by accepting

a 5 per cent cut in commissions, the companies themselves agreeing to assume the greater portion of the expense.

Farm business is so unpopular in almost every office that if such a bureau can produce better results the agents' market will be stabilized. It is also possible that a number of companies will restrict farm writings to an almost irreducible minimum, unless such a bureau is established.

It is understood that a group of companies which joined forces in maintaining an inspection service on their own account, are enthusiastic and feel their experience is a logical and sound criterion.

Sherrard Is Coast Manager

Succeeds Wetzel Jan. 1 With Northern of New York—Latter Goes East in Executive Post

SAN FRANCISCO, Dec. 27.—Robert Sherrard will become manager of the Pacific Coast department of the Northern of New York Jan. 1, succeeding R. W. Wetzel, who will return to the head offices of the company in an executive capacity. Mr. Wetzel will, however, remain in San Francisco until the latter part of February or the middle of March.

Coming to San Francisco in September, 1927, after many years' experience in the field, Mr. Wetzel established the Pacific Coast department. In the making of arrangements for the new branch office, Robert Sherrard, who had been connected with the McClure Kelly office since he entered the insurance business in 1913 as an office boy, was selected to serve as assistant Pacific Coast manager for the company.

Previously the company had been under the management of Mr. Kelly, along with the North America and other companies. Mr. Sherrard is a brother of the late McKee Sherrard, who was assistant manager of the North America under Mr. Kelly's management for many years.

New Washington License Form

All applicants for agents' licenses in Washington wil be required to file a new form at the beginning of the license year.

This new form is planned so as to eliminate unqualified agents. It includes a warranty clause which the company representative and the agent both must sign. Formerly only new agents were required to fill out a form.

Coast Hail Men Meet

The annual meeting of Pacific Coast Hail Conference, held in Spokane, took up the promulgation of rates and formulated plans for the 1934 season.

All officers were reelected, including W. B. Rasmussen, Home of New York, Portland, president; D. L. Weaver, Edward Brown & Sons, Spokane, vice-president; C. F. Laude, Spokane, secretary-treasurer.

Among those in attendance from outside the coast field were S. K. Bjornson, Rain & Hail Insurance Bureau; Jacob Nelson, America Fore, and John Peterson, Great American, all of Chicago.

O. J. Rea to Retire

SAN FRANCISCO, Dec. 27.—O. J. Rea, general adjuster of the Royal group here since 1923, will retire Dec. 31. He joined the Queen in 1887 as assistant bookkeeper and finally became an examiner. In 1906 he was transferred to California, joining the Pacific Coast department of the Royal and Queen as an assistant in the loss department, and was appointed general adjuster in 1923.

Wyoming Fire Fund Proposed

CHEYENNE, Dec. 27.—A state fire insurance fund for Wyoming is proposed in a bill introduced in the special session of the legislature. The proposed state fire fund would collect premiums based on commercial rates. When the permanent insurance fund reaches $250,000 its board is authorized to increase the risks on state buildings 20 percent; when it becomes $350,000 state risks may be increased to 50 per cent, and when the fund totals $500,000 the state fund shall assume all fire insurance risks on state property.

Brokers' Christmas Luncheon

SAN FRANCISCO, Dec. 27.—More than 200 brokers and company representatives attended the Christmas luncheon of the Insurance Brokers Exchange of San Francisco. Stephen Malatesta, chairman of the luncheon committee, was presiding officer in name alone, although he did succeed in introducing E. T. Cairns, president, and H. F. Badger, secretary of the Pacific Board.

Christmas carols were rendered by the San Francisco Blue Goose glee club and several individuals sang solos.

Royal Exchange Mountain Change

DENVER, Dec. 27.—The Royal Exchange has appointed Standart, Main & Brewster as general agents in the mountain territory. The company has been represented here for 15 years by A. R. Porter, state agent, who has been in poor health for some time. His condition grew serious recently and it was impossible for him to carry on the work. Arthur Waller of New York, assistant United States manager of the Royal Exchange, came here to arrange the transfer.

Trinidad Faces Higher Rates

Trinidad, Colo., is facing the possibility of higher rates as the result of discharging practically all its experienced firemen and replacing them with inexperienced men.

Eastern States Activities

Proposes Changes in Policy

Commissioner Brown of Massachusetts Submits Recommendation on Fire Form Revision to Legislature

BOSTON, Dec. 27.—Changes in the Massachusetts standard or legal form of fire policy are proposed in the recommendations of Commissioner Brown made to the legislature. This is the form under which all Massachusetts property must be covered. The proposed changes have to do with cancellation and rights of mortgagee, and are remedial rather

than nullifying amendments to provisions in the standard form.

Elimination or modification of the provision relative to canceling the policy which the law now permits by rider or endorsement, the commissioner believes should be prohibited. He states that it is now impossible to reduce the number of days' notice to less than ten specified in the form, and to substitute a so-called mortgage clause used in other states for that prescribed in the Massachusetts form. It is also impossible to eliminate the requirement that the insurance company pay a return premium and that notice of cancellation be given a mortgagee.

The commissioner recommends that the requirements as to proofs of loss by fire be made to apply to lightning, tornado and explosion hazards, etc.

Hartford Slate Named

T. W. Brown of George B. Fisher Company has been nominated for president of the Hartford board, the annual meeting of which will be held Jan. 9. The rest of the slate consists of P. B. Goddard, Rice & Co., vice-president; secretary E. S. Cowles, Jr., E. S. Cowles & Son; executive committee, W. H. Wiley, chairman; P. S. Avery, Victor Hellman, Thomas Oakes and E. M. Denniston.

Adjustment Bureau Changes

Changes in the managerial staff of the eastern department of the Fire Companies' Adjustment Bureau include the transfer of J. J. McDevitt from branch manager at Worcester, Mass., to Boston, with the title of general adjuster. He will be assistant to District Superintendent E. F. Rath, who will have supervision over the Boston, Worcester, Providence, Manchester and Haverhill territory. Mr. McDevitt will be succeeded as head of the Worcester office by A. A. Cairns, formerly special agent of the Glens Falls in Massachusetts and the past year in the Boston office of the bureau.

Mr. McDevitt joined the General Adjustment Bureau in Boston in 1920, but resigned three years later to become New England special agent of the Milwaukee Mechanics. In 1926 he returned to the bureau in Boston as adjuster.

No Money, No Investigation

PHILADELPHIA, Dec. 27.—Despite the fact that A. J. White Hutton, chairman of the joint legislative committee to investigate the Pennsylvania insurance department, has called a meeting of his committee for the first week in January to work out details of a program tentatively outlined for the investigation, political observers do not believe that the investigation will ever come off. At the stormy close of the special session of the Pennsylvania legislature last week the committee was criticised for its failure to do any investigating and no appropriation was made for its work. The legislature which first appointed the committee also failed to make it any appropriation. As a result, while the committee may want to investigate, it has no money with which to pay witnesses and other expenses it might incur.

Motor Insurance Events

Detroit Thefts Are Increasing

Insurance Men Find Only Small Proportion of Accessory Losses Are Reported to Police

DETROIT, Dec. 27.—The automobile accessory theft situation in Detroit is rapidly becoming more acute, according to Ward Randol, Detroit zone agent for the General Exchange, who has been making a study of auto stripping activities here.

One company alone, which is estimated to do about 10 percent of the total auto theft business in this district, paid out $10,500 for auto accessory thefts in Detroit in November, representing 900 claims. On this basis, the total losses for companies operating would be about $100,000 for the one month, with at least 9,000 individual thefts. The company referred to paid out $7,000 approximately for spare wheel assembly thefts in November.

Compared with the $10,500 figure, September and October together saw an outgo of $14,000, an average of $7,000 per month for accessory claims in Detroit. In number of accessory thefts this one company had 650 claims in September, 800 in October and 900 in November.

Since the figures compiled by the auto accessory detail of the Detroit police department show that the number of thefts reported during these three months was but slightly in excess of those for the one company, it would seem that few of the thefts are reported to police. The Detroit Association of Insurance Agents is taking up the matter with a view to securing heavier sentences for convicted thieves of auto accessories and to educate the public to report all thefts to the police as well as to the insurance companies.

Seeks to Check Auto Thefts

Sponsor Measure to Require Records of Sales and Purchases of Second Hand Parts

CHARLESTON, W. VA., Dec. 27.—J. L. Silverstein, a city councilman, is sponsoring an ordinance which is expected to cut down auto thefts in Charleston, which have been unduly excessive in number for the past year.

In addition to a fee of $10 to be paid before one can engage in the buying and selling of second-hand auto parts in Charleston five specific requirements will be made, as follows:

1. To keep a complete record of all purchases of second-hand or used auto necessities or parts. 2. To record the date of purchase with name and address of seller. 3. To specify the kind and character of merchandise purchased. 4. To require bill of sale of all goods purchased. 5. To have ready at all times complete records for inspection of any law enforcement officer.

Also under the ordinance it would be unlawful to purchase auto parts from persons under 16 years of age.

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Judge Questions Insurance Men on Automobile Thefts

(CONTINUED FROM PAGE 3)

to Ellingham, because he was a former employe and his reputation had not been questioned.

In his questioning the judge was interested to find out whether there was any central agency through which was reported the sale of stripped cars. Apparently what was in his mind was the possibility of finding out from such records what persons were the heavy buyers of stripped automobiles. Then an investigation could be made of their activities to determine whether they were fences.

Mr. Cavanaugh pointed out that only about 27 percent of the cars in Cook county are insured and the theft problem cannot be tackled by the insurance companies alone.

Keep Track of Cars Sold

Mr. Cummings said T. J. Houston & Co., handles about 750 cars a year of which about 10 percent are stripped. These are sold to dealers and Mr. Cummings said he knows where every car goes and endeavors to keep the strips in legitimate channels. He said that he had sold two cars to Ellingham, his reputation heretofore having been good.

The judge told of a recent case, wherein a boy testified that he had been hired by the owner of a car to steal that automobile. The judge called in the insurer, but the company refused to prosecute the owner. Mr. Cummings said that insurance companies fear to prosecute in cases like this. He said he is at present defendant in a $25,000 malicious prosecution suit.

The judge asked Mr. Dillon to prepare for him a list of men who occupy key position in the automobile insurance field, so that he could invite them to appear at his chambers for another session next Friday.

Mutuals Will Spend More for Advertising Next Year

The 1934 institutional advertising program of mutual companies was discussed by the advertising committees of the mutual fire and casualty organizations in Chicago last week. Next year the program calls for expenditures of about 10 percent more than in 1933. Stability and savings will be emphasized in the advertising.

Among those at the Chicago meeting were J. J. Fitzgerald, secretary Grain Dealers National Mutual Fire, Indianapolis, chairman of the fire advertising committee, and the other members of his committee: L. G. Purmort, secretary Central Manufacturers Mutual Fire of Van Wert, O.; L. A. Mingenbach, vice-president Hardware Dealers Mutual Fire, Stevens Point, Wis.; L. K. Sharp, advertising manager Mill Owners Mutual Fire, Des Moines, and H. M. Richmond, secretary United Mutual Fire, Boston.

Those present from the casualty committee were John L. Train, general manager Utica Mutual, chairman; J. S. Kemper, president Lumbermen's Mutual Casualty, and Clark Woodward, vice-president Liberty Mutual, acting for President S. B. Black of that company.

The regular semi-annual dividend of $1 a share, payable Jan. 15 to stockholders of record Dec. 30 has been declared by the **North America.**

The National Underwriter

December 28, 1933 CASUALTY AND SURETY SECTION Page Twenty-five

More Compensation Changes Expected

Further Tightening Up on Underwriting by Companies Is Anticipated

DRASTIC ACTION NEEDED

Cooperation of Employers Must Be Secured in Checking Losses—Basic Conditions Improving

It is certain that, although other companies may not immediately follow the Commercial Casualty and Metropolitan Casualty in discontinuing the writing of compensation, those companies remaining in the business will tighten up even more than in the past. One conservative group of companies whose compensation business last year represented 20 percent of its total premiums, is aiming to gradually cut down its compensation premiums to 10 percent of its volume.

It is felt by many that compensation still can be made profitable or at least placed on an even basis. The time is ripe now for drastic changes in compensation underwriting and administration. It is felt that the patient is so sick that a major operation must be performed to save its life. The companies are frightened over the situation and it is probable that several more would immediately withdraw from the business if it were not for consideration of their agency plants.

Basic Conditions Improving

Although companies have had disastrous experience in their compensation writing, many feel now is not the time to leave the business as basic conditions affecting the line are markedly improved. Payrolls are picking up and there are fewer irritating demand for return premiums. There is also less malingering by workmen who formerly used compensation as unemployment insurance.

Agents, brokers and companies must tighten up on their underwriting so that compensation losses can be checked. There have been many cases in which no attempt had been made to improve the risk and after it had been carried two or three years it was dropped as unprofitable without any effort to get the employer to make his plant insurable. Employers must be made to understand the situation and their cooperation secured in eliminating high loss ratios.

Impair Plant Efficiency

Employers should be shown by agents and brokers that injuries not only run up the compensation costs but they also impair plant efficiency. When a workman is injured it means that other men in the plant stop what they are doing and gather around their unfortunate fellow. A horrible accident will shock the

(CONTINUED ON PAGE 28)

Significance of Bassett's Compensation Move Eyed

NEW YORK, Dec. 27.—The announced retirement of the Metropolitan Casualty and Commercial Casualty from the compensation field will make more difficult the already serious problem of brokers in placing this business, virtually all of the other carriers previously having greatly stiffened the conditions under which they would accept such risks. The dramatic retirement of the Commercial and Metropolitan was characteristic of Neal Bassett, chairman of those companies, who never hesitates to blaze a trail when he is convinced of the desirability of a course of action.

A good many companies probably would have cast off this business years ago, had it not been for the fear that the state, being forced thus to embark in a hazardous line, would reach out for automobile and other forms of casualty insurance. Then there was the consideration of the reaction of the agency force, as well as the hope from year to year that the corner would be turned.

Compensation premiums average far higher than those derived from any other division of the casualty or fire business and commissions constitute a considerable percentage of the total income of most agencies. Hence the companies have hesitated to do aught that might prejudice their field and brokerage connections. To offset the steadily mounting losses, rates were increased from time to time, although filings often have been refused or greatly modified.

Increasing the Benefits

From the first the trend in compensation legislation has been to increase benefits, but by and large, compensatory rate increases were turned down.

Within the past year some of the leading compensation writing offices have sharply curtailed the percentage of such risks they will accept from any single agency and have demanded collateral lines such as automobile, general liability, steam boiler, etc.

Although there is little immediate prospect of other companies following the example of the Metropolitan and Commercial in cutting out compensation entirely, there will unquestionably be a further tightening up of requirements surrounding acceptable risks.

Turn to Self Insurance

One effect of the extreme conservatism displayed by the companies generally toward compensation business has been the growing disposition of large corporations and individual labor employers to effect self-insurance. The laws of a number of states require the filing by the assured of a corporate surety bond guaranteeing payment of all compensation claims.

No division of insurance has caused greater concern to commissioners as well as executives in recent years, than compensation. The National Convention of Insurance Commissioners has a standing committee on the subject, which body has been particularly active in its investigation in the last 12 months.

Superintendent Van Schaick of New York feels the answer does not lie with rate increases, the experience of the past revealing that with every rate advance there was a corresponding defection of many choice lines from the companies, the assureds electing either to join state funds or to create sinking funds of their own. The net effect has been an increasingly adverse risk selection.

While challenging the rate increase idea Mr. Van Schaick offered no other solution, asking instead that the executives prepare a remedial program. This the National Bureau of Casualty & Surety Underwriters has been pondering for months. Once it is finished, hope is voiced that it will prove at least to be effective in removing some of the most serious loss factors and supply a basis upon which further improvement may be effected.

Another effect of the retirement of the Commercial and Metropolitan will be to impress state authorities that the repeated assertion of executives that unless adequate tariffs were allowed the carriers would be forced to quit the field, was no idle threat.

New Qualifying List of Treasury Leaks Out

The treasury department list of surety companies, showing the amounts for which they may be accepted on federal bonds, is now in the possession of several companies, although it has not been officially published. There has been no publication since April 21 of this year. Usually the list is put out also in September.

Sixty-seven companies with total net limits of $19,653,000 appear in the new list, as compared with $19,720,000 on the April 21 list.

Aetna Casualty & Surety	$1,169,000
Hartford Acci. & Indem.	1,039,000
American Surety	978,000
Globe Indemnity	921,000
Fidelity & Casualty	796,000
U. S. Fidelity & Guaranty	796,000
Mellbank Surety, Pa	742,000
New Amsterdam	542,000
Employers Liability, England	531,000
Royal Indemnity	500,000
Continental Casualty	444,000
Massachusetts Bonding	442,000
Fidelity & Deposit	434,000
American Reinsurance	423,000
Ocean Accident & Guarantee	409,000
United States Guarantee	401,000
National Surety	400,000
London Guarantee & Accident	357,000
Indemnity Co. of N. A.	356,000
Great American Indemnity	321,000
Employers Reinsurance	307,000
Standard Surety & Casualty	300,000
Pacific Indemnity	298,000
Fireman's Fund Indemnity	291,000
Maryland Casualty	279,000
Columbia Casualty	275,000
General Reinsurance	264,000
European General Reinsur	250,000
Eagle Indemnity	248,000
Home Indemnity	241,000
Metropolitan Casualty	230,000
Consolidated Indemnity	229,000
Glens Falls Indemnity	225,000
Excess Insurance Co.	196,000
Preferred Accident	196,000
Commercial Casualty	186,000
Sun Indemnity	184,000
American Employers	180,000
International Fidelity	179,000
Bankers Indemnity	163,000
Central Surety	151,000
Seaboard Surety	147,000
Western & Southern	146,000
Century Indemnity	145,000
American Indemnity	145,000
American Bonding	144,000
Guarantee Co. of N. A.	143,000
Associated Indemnity	131,000
St. Paul-Mercury	130,000
Standard Accident	129,000
General Cas. of America	127,000
National Casualty	125,000
Yorkshire Indemnity	125,000
London & Lancashire Indem.	121,000
New York Casualty	119,000
Western Casualty	100,000
Ohio Casualty	92,000
United States Casualty	78,000
Concord Casualty	74,000
Eureka Casualty	70,000
American General	68,000
United Pacific	64,000
Commercial Standard	60,000
Inland Bonding	49,000
Western Surety	41,000
Texas Indemnity	41,000
Employers Casualty	40,000

Surety Men Found Lloyds Horned In

Pennsylvania Banking Department Employes' Fidelity Bonds at Issue

LINE NOW THREATENED

Claim Is Made That London Group Is Making a Material Reduction in the Rate

PHILADELPHIA, Dec. 27.—A wave of indignation among surety underwriters in Pennsylvania has been created by the recent information that the state secretary of banking had announced that state banking department employes will be bonded during the coming year with London Lloyds if the demands of his department for a lower rate from domestic institutions are not met. It is reported that representatives of the latter have served notice that, unless an agreement is not soon reached an immediate cancellation of their bonds would be made. Approximately, the American offices received during the past year on business from the department, a premium of $175,000 but owing to changes in exposure etc., the Towner Bureau rate is now approximately $229,000. It is said that London Lloyds has agreed to make a rate of $128,000 annually in addition to an extension of the discovery period to two years. In addition to this, Lloyds is reported to have made a bid for many other employes and officials of banks under direct control of the state banking department also at a cut far below the bureau rate.

Committee Was Appointed

This action of the banking department, in hostility of American insurance interests, seems to be the latest development in negotiations which began last May. The Surety Underwriters Association of this city then called the attention of the Surety Association of America in New York to the fact that various departments of the commonwealth on advice of the attorney general, were insisting that bonds covering elective and

(CONTINUED ON PAGE 29)

Accident Ratio Not Yet Affected

Financial Responsibility Laws Have Not Cut Down the Losses

MANY STATES HAVE THEM

Insurance Companies, However, Look With Favor on These Acts as Very Wholesome

HARTFORD, Dec. 27.—Efforts to trace effects of the operation of the financial responsibility law on automobile losses, rates and the settlement of claims are futile, according to insurance officials. Existence of several other factors, such as road safety campaigns, improvements in car construction, changes in state laws and the like, make it impossible to definitely attribute such insurance developments to any one cause.

Financial responsibility laws are now in operation in 22 states; Pennsylvania, where one goes into effect Jan. 1, will be the 23rd. Minnesota now has a half-way financial responsibility law, which will become a full-fledged one in the spring. In Connecticut, where the law has been in operation the longest (since 1925), 70,000 operators, out of 400,000 licensed annually, have in the last five years been required to show proof of financial responsibility. In New York since 1930 there have been 42,000 cases. Insurance officials have not found any tangible evidence yet that the law has reduced the severity or number of accidents, thereby reducing liability losses.

Law Is Regarded as Satisfactory

The companies generally find the law satisfactory, however, for its tendency has been to promote the volume of business, although it has not always produced the additional amount expected. The public prefers it to the compulsory insurance law in Massachusetts. Although the companies favor the financial responsibility law, particularly as an alternative for compulsory insurance, it is interesting to note that not the companies but the Automobile Association of America is actually responsible for its introduction.

Company officials are convinced that good safety campaigns, efficient traffic and police administration are probably the most effective influences determining accident rates. It is, by the way, surprising to observe in connection with safety drives that the city of Hartford, where the insurance companies have been issuing a great deal of very valuable educational information and statistics on the subject, has one of the worst records for automobile accidents in New England.

It would seem possible in Hartford to work out a safe-driving program that would correct the noticeably bad driving habits of its car operators. For example, not very long ago special mention was made of the desirability of making left hand turns after driving to the center of the street, but the traffic officers in this city direct drivers to make these turns directly beyond the intersection. A citizen who recently moved to Hartford from the west was of the impression that the making of these sharp turns must be a common New England practice, but when he made one in Springfield, Mass., he was reprimanded by the traffic officer and instructed to drive to the middle of the street before turning.

Made Assistant Manager of the London Guarantee

H. LLOYD JONES

NEW YORK, Dec. 27.—H. Lloyd Jones, who, in appreciation of conspicuously efficient service advances from comptroller of the London Guarantee & Accident, to assistant United States manager, has been identified with the casualty business for a number of years. He served successively the Globe Indemnity, General Accident, Norwegian Globe and the Sun Indemnity before joining the headquarters staff of the London Guarantee in 1926. By virtue of his extended experience in the business he has become well known to many of the insurance fraternity throughout the country. A Welshman by birth, Mr. Jones is imbued with the thorough-going American spirit, and is one of Manager Haines' most dependable aids.

Mason Launches Own Claim Organization From Dallas

Dallas T. Mason, who was general claims attorney for the Southern Surety in Des Moines 16 years, has launched his own organization in Dallas under the title of D. T. Mason Claims Service. He is located in the Republic National Bank building there. He offers complete casualty, surety, life, health and accident service.

Branch offices are established at Fort Worth, Houston, El Paso, Wichita Falls, San Antonio and Amarillo in Texas and service offices in Oklahoma City and Little Rock.

Altogether Mr. Mason has had 25 years adjustment experience in home office and field.

Illinois Compensation Men Are to Draft Binder Filing

The Illinois attorney-general having upheld the requirement of the industrial commission of that state that companies file with the commission notice of binder coverage and termination notice, P. J. Angsten, chairman of the industrial board, at a meeting with company representatives, directed the mutual and stock companies to proceed to draw up a suggested form to be used. One suggestion is that there be a comprehensive three point filing, one section relating to the binder provision, the second being a certificate of insurance, and the third a termination notice. About a dozen insurance men were on hand.

Decision was not reached on some other questions that were under discussion, but another meeting will be held after the first of the year.

Expect Surety Association to O.K. Blanket Bond Changes

COMMITTEE REPORT IS READY

Clarification of Phraseology Chiefly Sought in Bankers' Contract, Under Proposed Revision

NEW YORK, Dec. 27.—Now that the bankers' blanket bond committee of the Surety Association of America has completed the work of forms revision upon which it has been engaged for some time, it is assumed a call for the annual meeting of the association shortly will be issued. The gathering had been deferred from time to time awaiting the committee's report.

Though the nature of the committee's recommendations is not known, it is believed that any proposed changes in phraseology will deal largely with clarification rather than any marked change in the intent of the coverage.

Disputes Over Interpretation

From time to time disputes between brokers and assureds on the one hand and companies on the other have arisen over the exact meaning of certain insuring clauses which were open to dual interpretation. These usually were construed by claimants in their favor. To obviate such confusion the committee, it is understood, will recommend a rephrasing of certain clauses in the forms, and a fair assumption is that these will be approved by the association.

Philadelphia Auto Rates Are Cut About 20 Percent

Automobile public liability and property damage rates in Philadelphia have been reduced by the National Bureau of Casualty & Surety Underwriters about 20 percent. The new scale is practically the same as the rates that have been charged by the Employers Liability.

In addition to the Philadelphia and Philadelphia suburban territories, a new division has been created known as south Philadelphia.

The resolution, providing for the decrease, stated that the experience of bureau companies is no longer indicative for rate making purposes and the judgment factor must be taken into consideration. Experience is not a valid basis, according to the resolution, either because of the comparatively small volume of insurance written or because of the way in which the territories have been defined.

Agents Make Complaint

Agents of bureau companies have been complaining for some time because of the competition of the Employers Liability. In addition the General Accident and Indemnity of North America have offered strong competition. Both of these companies have special rating arrangements.

The south Philadelphia territory begins at Pine street and extends south between the Schuylkill and Delaware rivers. This territory will continue to have the rates that heretofore have been applied to Philadelphia proper.

The new rates for Philadelphia and Philadelphia suburban together with an exhibit of the old rates is presented herewith:

Philadelphia

Private pass.	New P. L.	New P. D.	Old P. L.	Old P. D.
W	$50.00	$14.00	$62.00	$18.00
X	50.00	14.00	62.00	18.00
Y	63.00	18.00	79.00	22.00
Hired car	1.45	.35	1.80	.45

Philadelphia—Suburban

New P. L.	New P. D.	Old P. L.	Old P. D.
$29.00	$10.00	$36.00	$13.00
29.00	10.00	36.00	13.00
37.00	12.00	46.00	15.00
1.15	.30	1.45	.40

Avoid Theorists, Behrens Advises

Agents Should Get to Work, Take Advantage of Improvement in Conditions

BUSINESS BETTER TODAY

Continental Casualty Chicago Branch Office Celebrates the Achievements of the Year

President H. A. Behrens of the Continental Casualty and Continental Assurance of Chicago in a talk at the celebration banquet of the Chicago branch at the Union League Club said that there is no advantage to any company in attempting to mislead the public or the agent as to its financial condition. Business is better today, he said, in spite of adverse conditions. Companies and agents, he declared, are getting down to bedrock and are following the beaten path. He declared that too much time is being given by amateur economists in devising plans for improvement instead of putting economy into effect. He said that agents should take advantage of improved business conditions and quit reading what the economists have to say. "Put in your time at work and let the theorists do the theorizing," Mr. Behrens added.

Vice-President Cornelius Spoke

Vice-President M. P. Cornelius said that the insurance companies had been bucking the current for a long time. They had to pull in their horns in every direction. They can now afford to be more liberal, he thinks, and take advantage of opportunities to extend themselves along safe lines. Mr. Cornelius said that he is more optimistic over conditions than he has been.

Vice-President Roy Tuchbreiter in charge of the agency department said the company had increased its writings during the year. He stated that accident and health is a good line for agents to push at this time. H. A. Glasgow, vice-president in charge of the branch office, said that his organization had had a splendid year. Greetings were brought from the Chicago Board by President L. E. Yager, who was accompanied by Manager J. S. Glidden. J. C. Griswold, resident vice-president, presided as toastmaster.

Retain Traffic Division or Boost Liability Rates

PHILADELPHIA, Dec. 27.—Revocation of the 20 percent reduction in the automobile public liability and property damage rates for the Philadelphia district, just granted by the National Bureau of Casualty & Surety Underwriters, is threatened in a telegram sent to Mayor Moore of Philadelphia by James A. Beha, general manager of the bureau. The threat was made as a result of the mayor's proposal to shift the traffic division from the department of public safety to the department of public works. The reduction in the rate is attributed in large part to the work accomplished by the Philadelphia traffic division. The bureau's reduction in rates was made on the assumption that this work would be continued.

WORKMEN'S COMPENSATION

May Sue for Deficiency in Premium After Audit Year

Although the assured might have been justified in refusing access to its books to its compensation and public liability insurer, after the audit year had expired, if the insurer by some means discovered that payroll and revenue information had been concealed, the New Jersey court of errors and appeals has held that it cannot be said that such facts could not be proved at the trial. Judgment for the insurer was upheld. The case was Globe Indemnity vs. Butler-Newark Bus Line, Inc., et al.

The Butler-Newark Bus Line was taken over by the Public Service Coordinated Transport and the Globe Indemnity policies, then in effect, were canceled. The auditor went to the Public Service Coordinated Transport to make a final audit and was referred to a number of books which he said were more than those which were submitted to the Globe Indemnity for audit prior to that time. Examination revealed that the bus line had withheld information which if disclosed would have resulted in the collection of premiums amounting to $10,000 more than had been paid.

Urge Kansas Increase

WICHITA, KAN., Dec. 27.—Upon the recommendation of Frank T. Priest a resolution was adopted by the Wichita Insurors urging Commissioner C. F. Hobbs to approve the proposed increase in compensation rates in Kansas, which will give the companies a much needed increase of 7½ percent on 220 lines and a reduction of 2 percent on 187 favorable lines. Individual agents agreed to write Commissioner Hobbs also urging this action.

Silicosis Decision Given

Judge Zimmerman in Dane county, Wisconsin, circuit court has upheld the Wisconsin industrial commission in its order holding the Travelers liable for compensation to R. C. Wendt on account of tuberculosis superimposed upon silicosis.

Wendt had been employed by the Michigan Quartz Silica Company for 22 years. During the year prior to June 9, 1932, the plants did not operate steadily and Wendt was employed most of the time in the Metro Nite plant, manufacturers of lime dust. The Employers Mutual Liability was the compensation carrier of the Metro Nite. The Employers Mutual contended that lime dust is not disabling.

The court held that the inception of the disease and its acceleration occurred during the time the Travelers was on the risk.

Artificial Fleets Allowed for Michigan CWA Work

LANSING, MICH., Dec. 27.—In cooperation with the federal CWA program, the Michigan department has announced that it will relax its rule against fictitious fleets in the case of CWA workers required to provide public liability and property damage coverage for trucks and cars used on public works projects. Those companies wishing, from an underwriting standpoint, to apply fleet rates for this class of business, will not be deemed in violation of the general rule, Commissioner Gauss said, despite the fact that those supplying vehicles on the jobs must pay the premiums individually. In the past the department has banned fleet rates for groups of cars unless they are actually under one ownership. It has been reported to the department that many communities are insisting that liability protection be furnished before the CWA workers are allowed to use their trucks or cars on jobs. It has been indicated, however, that some companies do not care to write this business, except at regular rates.

Liquor Legislation to Keep Surety Executives Dizzy

The Towner Rating Bureau has sent out a bulletin in relation to a recent circular of the Bureau of Industrial Alcohol as to what bonds are required.

The Towner bureau states that pending action by Congress after it convenes in January, distillers, warehousemen, rectifiers, wine makers and brewers will be required to furnish bonds to the United States in accordance with regulations given in treasury department ruling 21. These bonds are for the protection of federal internal revenue and not for the enforcement of prohibition.

The premiums for all internal revenue bonds under the treasury department ruling are: First $25,000, $20 per thousand; next $25,000, $10 per thousand, and over $50,000, $5 per thousand. The minimum premium is $20.

Separate bonds are still required for the manufacture of 3.2 percent wine or beer for those states where intoxicating beverages are still prohibited.

The premiums for custom house bonds, importers' warehousing bonds for all classes of intoxicating beverages is $2.50 per thousand, minimum premium $5.

Consumption entry bonds for all classes of intoxicating beverages take a manual rating.

The Towner bureau states that through enactment by Congress and state legislatures frequent changes will be required and it is deemed unwise to print pages for the manual at this time.

More Compensation Changes Expected

(CONTINUED FROM PAGE 25)

other employes, slow up the production of the whole plant. Making employes safety conscious is most important as safety devices are useless if they are not operated correctly.

The value of sound insurance is recognized today by employers and if they are shown the companies' standpoint on compensation they usually appreciate the situation. One agent convinced an employer that it would be better for him to take a 100 percent increase in a strong company that was cancelling his risk and then reduce the penalty by bettering his accident record, rather than turn to the cut raters "as is."

Make Risks Insurable

One company manager has found that a number of risks assigned to him under a state rejected risk plan, were not insurable because the previous insurer had made no attempt to make them so. One employer had been violating the state factory laws and another risk had been incorrectly underwritten. By insisting that corrections be made the risks became insurable. If this action had been taken several years ago the previous insurer might not have experienced a loss.

Agents who wish to preserve their compensation premiums can do much by contacting their local doctors and telling them they are killing the golden goose by running up the excessive medical expenses in connection with industrial accidents. Doctors tend to charge large fees and have industrial patients continue treatments longer than necessary in order to secure more fees. If

companies withdraw from the compensation business it will be written through state funds and under state supervision the medical fees are much lower. Medical men in Ohio and Oregon, where compulsory state funds are in operation, have found this to be true.

It is also pointed out that the national government is taking vigorous part in industry and is recognizing the collective bargaining principle so that an opportunity presents itself to secure standardization of compensation laws. Severe hardships are placed upon manufacturers in states that have liberal compensation laws because they increase their production costs which places them at a disadvantage in competition with manufacturers of other states.

In securing reform in compensation business it is necessary to get better and more efficient administration. Inexperienced industrial boards composed of political appointees unqualified for the task of disbursing millions of dollars have cost the companies a great deal. It is also held to be necessary to terminate compensation for occupational diseases if rates are to be within reason. Reopening of cases after being dormant several years has been a serious problem because companies are unable to compute reserves needed to take care of such claims. Restrictions on this would do much in correcting the compensation situation.

Cancel Collateral Lines

Practically all companies have been restricting their compensation writing to assureds who placed collateral lines with them. One wide-awake manager found that some brokers were placing all their coverage with his company and gradually cancelling out all the lines except compensation during the 60 day limit. Now when he gets a public liability cancellation he immediately checks up on the compensation business and watches for further cancellation of burglary, plate glass, etc.

Surety Men Found Lloyds Horned In

(CONTINUED FROM PAGE 25)

appointive officials should be written annually. Surety underwriters took decided exception to this as creating a most undesirable cumulative liability risk and in many cases declined to renew their bonds. William Liedeke of the Hartford Accident was made chairman of the committee appointed to handle the matter with the state authorities, serving with B. P. Keating, Aetna Casualty; Vice-President Paul Wellener, Fidelity & Deposit; William Harper, Maryland Casualty, and Harry Davis, United States Fidelity & Guaranty. Many conferences have been held by this committee with the state officials and the surety companies interested but apparently without any reconcilement of the differences existing.

Pennsylvania "In the Red"

Pennsylvania has long been "in the red" with surety companies and there has been a feeling that the state authorities have contributed to this by adverse rulings and in many other ways. Banking department officials are quoted in the daily press as saying that in the present negotiations regarding banking department employes bonds "the American companies are trying to wring out of the state by means of increased rates, enough money to cover the losses suffered by them in the debacle of bank crashes in 1931" and admit that these losses were approximately $5,000,000. This, referring to the bank depository bond losses in Pennsylvania in the year named, seems somewhat like adding insult to injury. The companies which issued bonds covering the state funds deposited in state banks seem to have done so, without exception as far as is known, on the assurance of state officials that state funds in state banks directly controlled by state authorities were to be considered as preferred deposits.

In consequence of this assurance, which it was confidently believed would be respected, a rate for these state bonds was made of approximately one-half of the usual rate. But when the banks in the state began to topple over like a row of cards, involving large amounts of state deposits, the authorities took the position that their funds were not preferred deposits and the state's claim against the banks was not better than the claim of any general creditor. Accordingly demand was made on the surety companies under their depository bonds and these claims were paid. These claims and the circumstances attending same, left a feeling with all surety officials that the business of Pennsylvania was something to be accepted in future with caution and care.

Quite apart from the merits of the present question with Dr. William D. Gordon, state banking commissioner, members of the local surety managers association are asking who conducted the negotiations on behalf of London Lloyds with the state officials. The insurance commissioner has advised members that any evidence that Lloyds representatives were soliciting business in the state would be acted upon immediately and the parties so acting arrested under the law forbidding solicitation for unadmitted concerns. It is not probable that banking department officials have negotiated with Lloyds only through the mails.

It now seems certain that amendments to federal statutes affecting banks and the fidelity bonds held by them will be passed at the forthcoming session of Congress. If this happens, it seems more than likely that in event of the Pennsylvania authorities accepting coverage in London Lloyds they may be confronted with the necessity of paying a penalty tax on these bonds which will make the transaction one of neglible value.

ACCIDENT AND HEALTH FIELD

Hospital Contracts Insurance

California Attorney General So Rules—Formerly Classed as "Service Contracts" in That State

SAN FRANCISCO, Dec. 27.—Accident and health insurance interests in California have won a long fight to secure some sort of regulation of hospital associations, which have been especially active in this state, with the rendition of an opinion by Attorney-General Webb, directed to Commissioner Mitchell, that these associations should be classed as accident and health insurance organizations, coming under the supervision of the commissioner and being subject to the insurance laws of the state. The California department formerly had classed the contracts issued by these associations as service contracts rather than contracts of insurance and held that it had no jurisdiction over them.

Referring to three "certificates" submitted to him, including one issued by the Western Pacific Health Association of San Francisco, the attorney-general holds that they are "contracts of insurance rather than service contracts, and may not be issued by any person, firm or corporation in this state, except upon obtaining a certificate of authority . . . and complying with all other laws appertaining to insurance companies." He also specifically mentions the contract of the Progressive Health Association, stating that "the issuance thereof not only violates the laws relating to insurance companies, but the medical practice act, as well as the state bar act."

These hospital associations, which offer hospital and in some cases medical service for a fixed monthly fee or premium, have been particularly active on the Pacific Coast and in the southwest, but there has been a tendency in the past year toward the extension of the idea in other sections of the country, particularly since the plan was given the endorsement of the American Hospital Association. The medical associations, however, have consistently opposed any such schemes.

There has been considerable divergence in the ruling of insurance departments and other state authorities as to whether or not these hospital plans came under the definition of "insurance," and the California ruling is expected to set an important precedent, inasmuch as this state has had more experience with that class of associations than any other, which is expected to affect the position taken by other states.

Morris Green Advanced

Morris Green, for several years agency director of the St. Lawrence Life of New York, has been promoted to second vice-president.

Mr. Green has for a long time been active in accident and health insurance. For a number of years he was with the General Accident. His life insurance experience was with the Prudential, for which he was assistant superintendent prior to his connection with the General Accident.

Mr. Green will continue the active supervision of all agency work in his new capacity as second vice-president and general manager.

Seattle Club's 1934 Plans

SEATTLE, Dec. 27.—Plans of the Seattle Accident & Health Club for 1934 call for ten meetings, with a speaker for each. The first meeting will be held Jan. 8.

Harry Wares of the Washington National has been appointed secretary to succeed Mrs. M. G. Closser, secretary of the club for two years, who has sold her agency and is leaving for California.

D. W. Dewar Resigns

DETROIT, Dec. 27.—D. W. Dewar has resigned as district manager for Earl H. Weltz & Associates of Philadelphia, state managers for the Massachusetts Accident for five states including Michigan, and returned to Seattle where he plans to establish an insurance brokerage office.

Discuss Acquisition Costs

Discussion of acquisition costs was featured at the Washington Casualty Association's December meeting in Seattle. G. K. Hutchins, Great American Indemnity, reported for the acquisition cost committee. A. A. Carson, Hartford Accident; J. L. Reimer, Globe Indemnity, and Aubrey Naef of Seeley & Co. were appointed on the legislative committee by J. C. McCollister, president. Arrangements were made to follow all legislation introduced in the present special session of the legislature.

FIDELITY AND SURETY NEWS

Bond Phraseology Clarified

New Language of Forged Securities Contract Ends Practice Causing Premium Inadequacy

NEW YORK, Dec. 27.—Revision of phraseology in the forged securities bond written by surety companies was compelled through many unjustified claims that carriers were called upon to pay. Claimants construed the bond differently from underwriters.

To obviate confusion, the phrasing was recast two months ago, the new language employed in the covering clauses setting forth clearly the intent of the indemnity. Previously it was the practice of some assureds to instruct their branch offices after negotiating a transaction to have it concluded at headquarters, so that in the event of forgery, claim might be made under the bond as a head office loss. Through this procedure surety companies received a premium merely for the home office coverage, though the liability might be spread over a score or more local branches. To obviate this injustice the revised forms stipulate that the bond covers for loss of an organization as a whole, and hence derives a premium from each of the branch divisions.

Bank Fidelity Experience Has Been Unsatisfactory

Even though the New York department did not allow the rate increase asked on bank fidelity bonds, the companies suffered a very unsatisfactory experience in 1932. The premiums that year amounted to $1,694,219 and the losses $1,212,681. Of this amount only $117,000 was written in New York state. So called fidelity bonds are not being taken by banks as they were in days gone by, they being replaced by the modern bankers blanket bonds. Companies are not seeking the straight bank fidelity business because of the liability under the bond extending so long. Companies are held liable for losses that may be discovered at present, although they occurred years ago under an entirely different bond.

Gets Dividend from Failed Bank

LINCOLN, NEB., Dec. 27—A check for $26,000 was received by the New Amsterdam Casualty from the receivership division of the Nebraska state banking department. Attorneys for the state announced they would not further pursue in supreme court their controversy over the right of the company to be subrogated to the rights of Douglas county as a depositor for $40,000 in the failed State Bank of Omaha. The check represented a 65 per cent dividend to all depositors. The court recently held that where a political subdivision pays the premium the right of subrogation exists. Where the bank pays it that right does not exist.

Big Bond Being Completed

The American Employers is the originating company on a contract bond covering the construction of twin locks in the Mississippi river near Alton, Ill., by John Griffiths & Sons Co. of Chicago. The contract is for $3,194,702 and the face of the bond is 50 percent of that figure. This is known as Mississippi river project No. 26. The co-sureties on the bond, which is being completed this week, are the Fidelity & Casualty, Massachusetts Bonding, Continental Casualty, Aetna Casualty, Indemnity of North America, Fidelity & Deposit, Globe Indemnity, United States Fidelity & Guaranty, Royal Indemnity, and American Surety.

Heavy Loss Figure Is Shown

Ratio for Depository Bonds in Period 1930-32 Is Reported to Have Been 300 Percent

NEW YORK, Dec. 27.—The hazardous character of depository bond business may be inferred from the subjoined authoritative figures, revealing the gross premiums received and losses paid by surety companies of this country writing the line, during the years 1930 to 1932, inclusive:

Premiums, $11,222,864; losses (including salvages secured upon previous payments), $33,267,729, or almost 300 percent. The outgo moreover, takes no account of commissions, taxes and general expenses chargeable to the line, which if included would swell the ratio by a considerable percentage.

Agents Must Write Bonds

ATLANTA, Dec. 27—Governor Talmadge of Georgia has instructed the state highway department not to accept bonds on projects unless the contracts are written in companies duly authorized to do business in the state by authorized agents located in Georgia. These instructions were the result of a personal call on the governor by a committee of agents headed by H. C. Arnall, president Georgia Association of Agents.

Virginia Order Reconsidered

RICHMOND, Dec. 27.—Reconsidering its previous order discontinuing the increased rates allowed companies writing fidelity and surety bonds in Virginia, the state corporation commission now sanctions their use pending further consideration of the general experience. Another hearing will be held here Feb. 26. The latest order applies to all forms of coverage, except three minor classifications.

Officials of Penn General Charged with Embezzlement

PHILADELPHIA, Dec. 27.—C. B. Love, president of the Penn General Casualty, and H. C. O'Brien, secretary-treasurer, are being sought on warrants charging them with embezzling $240,500 in negotiable bonds and cash from the company which has its home office here.

Despite the police hunt, C. H. Graff, deputy insurance commissioner, announced at Harrisburg that the company has "an ample reserve and is intact." However, J. V. Gosline, vice-president in active charge of the company, who first discovered tangible evidence of theft, declared that the alleged embezzlement left the company in a difficult position that will probably result in its being taken over by another company.

Mr. Gosline said Love bought control of the company last February. The Penn General was chartered in 1917 and specialized in coal mine workmen's compensation. In January, 1930, it expanded operations to include all forms of casualty business, principally automobile. It was at that time that Mr. Gosline, who had been a deputy insurance commissioner, joined the company. The capital was $250,000 and its surplus $400,000, all of which was kept in a very liquid condition.

New Great Lakes Director

At a special meeting of the stockholders of the Great Lakes Casualty, held at the home office on December 18, W. R. Kales, head of the Detroit engineering firm of Whitehead & Kales, was elected a director of the Great Lakes Casualty.

PERSONALS

George L. Forrest, one of the old-timers in the accident and health field, and for many years president of the New York Safety Reserve Fund, died recently at his home in New York City. He was actively engaged in the disability insurance field until a few days before his death. He was a brother of A. E. Forrest, president of the North American Accident of Chicago.

George L. Radcliffe, head of the American Bonding and vice-president of the Fidelity & Deposit, who accepted an appointment as federal public works advisor for the Baltimore district at the personal request of President Roosevelt, has worked out a plan for a new regional advisory board which is expected to be the model for similar regional advisory bodies throughout the country.

Edward A. Robinson of Baltimore, attorney for the Fidelity & Deposit, was found dead of heart disease at a New Orleans hotel. Mr. Robinson in 1926 had charge of the company's work in New Orleans for two years, and later made his headquarters in Memphis.

W. W. Steiner, resident vice-president in Chicago of the United States Casualty, has been named receiver for the Rice Construction Company of Chicago. The U. S. Casualty wrote a $25,000 bond for the Rice company in connection with the federal contract for remodeling the postoffice in Ann Arbor, Mich. The contention is that the Rice company has not paid certain bills in connection with that project.

A. C. Arnold, bond manager in Chicago for the Standard Accident and one of the old guard in surety circles there, died at his home Sunday. He was 57 years of age. He had been away from the office about 18 weeks, being afflicted with arthritis and suffering a general breakdown. Pneumonia developed at the end.

Funeral services were held in Chicago Wednesday. There was a large turnout of surety men and present from the head office of the Standard Accident was Vice-President J. P. Hacker.

Mr. Arnold was born in Chicago and started in the surety business as the original general agent in Chicago for the Fidelity & Deposit. He was a member of the general agency of Wicks & Arnold. That partnership was later dissolved and Mr. Arnold consolidated his business with the Chicago agency of Conkling, Price & Webb. He was made a partner in that agency and had charge of the bond department.

In 1921 he joined the Bartholomay-Darling Company agency of Chicago and in 1925 joined the Continental Casualty, first as manager of the bond department at Chicago and later as general agent.

In 1926 he formed his connection with the Standard Accident. He served at one time as president of the Surety Association of Chicago and many of the younger generation of surety men in that city received their training from Mr. Arnold.

REINSURANCE NUMBER

The National Underwriter

A WEEKLY NEWSPAPER OF INSURANCE

THURSDAY, DECEMBER 28, 1933 Part Two

The National Underwriter

December 28, 1933 REINSURANCE NUMBER Number 52, Part II

Fire Reinsurers Marking Time, Waiting For Values to Increase

The fire reinsurance companies, during the year, very largely have been merely marking time. They have kept up their contacts and friendships but have not butted their heads against the wall by doing much aggressive production work. The volume has continued to slide off because of the natural decline in premium income, and also because of the continuance of the efforts of direct companies to hold on to as much premium as possible, without getting into too deep water.

The reinsurers are satisfied to wait for a general increase in values. Their theory is that the reinsurers will respond quickly to the increase, for the reason that direct companies have increased their lines to such an extent, that when more insurance is authorized on a risk, to take care of an increase in values, much of that increased authorization will go into the treaty. Then it will be time, the reinsurers feel, to attempt to capitalize on contacts, place second excess treaties and endeavor to replace reciprocal arrangements between direct companies with regular treaties.

Portfolio Deals Were Scarce This Year

The reinsurance companies were not approached at the end of this year to assume portfolio reinsurance, as they were at the end of the last three years. Virtually all of the fire companies, by this time, have adjusted themselves, so that they do not face annual statement time with an overloaded premium reserve liability. Indeed, most of the fire companies have a good margin of free surplus and what they are looking for is more premium and not a chance to relieve themselves of what they have. So different is this year from the preceding three years, that recently Sumner Ballard, who is president of the International, and United States manager of the Skandinavia, recently advertised that he was seeking reinsurance of a retiring company, participation or portfolio for the run off of about $1,000,000. This is a great contrast to previous years, when the reinsurance companies were besieged with requests to take over portfolios.

The loss ratio of the fire reinsurance companies is just as gratifying as that of the direct companies this year and the reinsurers will make a profit.

Time Is Extended for Making Remittance

One of the advantages that reinsurers have enjoyed during the depression is the absence of collection problems. However, in view of the troubles that the direct companies have had in this direction, most of the treaties now provide that the direct companies may make their remittances in 75 or 90 days, instead of 60 days, which was the provision generally before the depression.

Most of the reinsurers have plenty of free surplus and could absorb 25 to 40 percent more business than they are carrying now. The reinsurers, by and large, steered away from some of the pitfalls into which many of the direct writing companies fell so far as investments were concerned. They always had in mind the fact that they might be required suddenly to sell or to meet heavy demands, either because of cancellation of a treaty or because of heavy losses and their investments were made with an eye to liquidity.

Low Loss Record Has Emboldened Companies

Although the reinsurers keep their feelings pretty much to themselves, the continued absorption of more and more net liability on the part of direct writing companies is beginning to get under the skin of the reinsurers. The direct companies have been able to retain more of the premium and more of the liability during the depression years with impunity because losses have not been excessive and this year has been exceptionally good. Therefore the difficulties that the reinsurers predict for those companies that take liberties with their line sheets have not come to pass. However, the reinsurers feel that the direct companies are treading on dangerous ground and that sooner or later they will learn a lesson that will cause them to adhere more closely to old underwriting rules.

The practice of bulging the net retention on high retention lines, which has become so prevalent among direct writing companies, the reinsurers feel is a dangerous practice because it means that accounting is being mixed with underwriting. The reinsurers say that in doing this the executives of direct writing companies are, in fact, instructing the underwriters to suppress their own underwriting judgment; that the front office doesn't care about the underwriter's opinion of a risk and of his idea of the adjoining or inherent hazard. This procedure, the reinsurers feel, throws the underwriting out of gear.

Despite the resentment that is caused by the direct companies holding on to more and more premium, the reinsurance companies have done much the same thing in their dealings with retrocessionnaires. Faced with a declining income under the treaties, some of the reinsurers have bulged their net retentions, at the expense of the retrocessionnaire.

Factor of Experience Confuses the Thinking

The reinsurance companies are sensitive, not only because of the reduction in income which is caused by these practices on the part of direct writing companies, but also because of the implication that the reinsurer is something of a necessary evil and perhaps not so necessary. Executives of some of the direct writing companies, who during the depression have experimented with bolder underwriting programs and finding that catastrophe did not ensue, have developed a somewhat supercilious attitude towards the reinsurance business. They fall into the easy habit of thinking that the money that is paid to reinsurers is pure expense. The theory of reinsurance is somewhat abstruse and the executives who are inclined to take a contemptuous attitude towards reinsurance apparently are not willing to study the arguments that are adduced by reinsurance companies.

The factor that makes the reinsurance theory difficult to get across to the direct writing company is that under a treaty a certain number of losses are certain to be paid. Therefore the direct writing company is bound to think in terms of the experience under the treaty and not in terms of long term probabilities. If the reinsurer over a period of years makes a good profit, the direct company is likely to feel that the premium should have been kept at home. This same factor comes into play to make difficult the insuring of fleet and group risks of one kind and another, as the direct writing companies so well know. The insurance theory becomes more complicated when the experience factor becomes important and when the matter of experience begins to impress the assured, he is likely to consider the possibility of self insurance. An assured who pays the premium and who regards the probability of loss as extremely remote is not as likely to challenge the theory of insurance as the assured who pays the premium to cover a multiplicity of losses that are sure to develop.

When the flow of premium is high, the direct writing company takes its reinsurance dealings for granted; the expense ratio takes care of itself and the direct company is busy gathering in premiums from the field. When premiums are drying up, however, the companies seek to compensate by reducing expenses and increasing the premium through bookkeeping transactions, such as taking back part of their reinsurance in excess accounts.

Reinsurer's Standing Higher in Europe

The executives of reinsurance companies, who have a knowledge of European methods, are chagrined that the reinsurers in this country do not enjoy higher standing in the councils of the business. In Europe the reinsurance companies are welcomed in the various organizations on equal footing with the direct company and their counsel is welcomed. In this country, however, the reinsurance companies are regarded by many executives as something apart. This, in turn, has bred among the reinsurers the feeling that they must keep in the background, take what is given to them and not stir up the animals.

The reinsurance people could contribute much to the business if they were given greater recognition. They have a broad outlook and are in a position to detect weaknesses and dangerous tendencies.

The executives of reinsurance companies are high grade men and what has been said should not be interpreted to indicate that they are not on a firm personal basis with officials of the direct companies. The personal relationships are sound, but so far as business is concerned there is something of a gulf. When the reinsurance companies want to get an idea across, they must proceed by indirection. Perhaps, the fault is not altogether with the direct companies. The reinsurance people may exaggerate the gulf in their own minds and thus keep themselves apart.

The reinsurance companies have had a fine record during the depression and are waiting patiently for their reward.

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Facultative Reinsurers, on Thin Diet, Feel Service Unappreciated

BY CONVERSE D. WEST

C. D. West, the author of the accompanying article, is facultative manager of the Eagle Fire of New Jersey and facultative agent of the Baltica. Mr. West has headquarters at 100 William street, New York. He is one of the most experienced men in facultative reinsurance. His greatest hobby is Princeton University, which he attended. He is a football fan and finds a similarity between football and facultative reinsurance. He points out that football fortunes are similar to those of business in their undulations. "Three years ago," he writes, "it didn't seem possible that Princeton could ever come back in football or that facultative reinsurance could ever fail to find itself useful and needed in its field. Today the situation of both are reversed. But, just as surely as a few years more will evidence the resurgence of Yale's football power to the temporary embarrassment of Princeton, so will the real value of the facultative reinsurance market again be demonstrated to the confusion (I hope not temporary) of those who today regard it as an unnecessary appendage on the body of insurance."

It is impossible not to take advantage of the opportunity offered by this article for frank propaganda on behalf of the reinsurance companies engaged in the business of facultative fire reinsurance, the original and basic method of redistribution of the primary insurance liability. An attempt will be made, however, so to condense the remarks that they will not consume more space than is merited by a subject of such little interest to fire insurance men generally.

For many years, the treaty was the vehicle by which most reinsurance was effected by fire insurance companies in the United States. Maybe it still is. It is impossible to determine with any degree of accuracy how much premium the American treaty reinsurance market has lost in recent years due to the increasing use by the direct writers of the foreign markets for excess of loss and catastrophe reinsurance cover, but the sum must be very great. Comparison of the aggregate relative growths of companies engaged in the direct and in the reinsurance business during the past 15 years indicates that the former have had much the more rapid development of the two classes.

Seek to Compensate for Dwindling Treaty Income

Faced with a condition that has grown progressively worse through periods of prosperity and depression and the cause of the condition being apparent, it is only natural that the considerable capital invested in the reinsurance business in the United States has sought remedies, i. e., sources of premium income to compensate for the dwindling treaty premiums. The alternative to such a discovery would seem to be the eventual extinction of the American fire reinsurance market as it exists today.

The remedies available appear to be but three in number. The most obvious one—that of active competition with the foreign excess of loss market—seems neither economically prudent nor sound on any large scale. Too much concentration in American reinsurance companies of the heavy liabilities entailed in such coverage would defeat the very purpose of sound reinsurance. (Reference herein to American reinsurance companies will of course be understood to apply equally to foreign reinsurance companies licensed in the United States.)

Increased Attention to Facultative Recently

Another possible solution may be the formation of alliances with direct writing companies through various schemes of interlocking ownership, under which the direct writers can be used as feeders of reinsurance business. That method of operation, while being successfully followed to a limited extent, possesses certain definite disadvantages which, however, are not within the provinces of this article to discuss.

Therefore, a reversion to the basic method of reinsurance through the development of a premium income from facultative business seems to be the simplest, most direct, most logical and the fundamentally sound method for our reinsurance market to pursue to compensate for its loss of treaty income, and that class of business has received increasing attention during the past few years. Seven years ago it was practically ignored by American reinsurance companies. Today at least eight out of the fourteen American groups specializing in reinsurance are participating in it and six reinsurance companies are operating their own facultative departments or agencies.

This has all been accomplished with a minimum of publicity. The only criticism worthy of consideration that has been incurred has been from reinsurance companies themselves and that has not been constructive. It must be admitted, however, that whereas the additional capacity afforded by this facultative market was originally needed and therefore was cordially welcomed by the majority of direct writing companies, there has recently been some evidence that a few direct writers are disposed to resent its incursions on a class of business they formerly monopolized and which, in view of their present attenuated premium incomes, they would now be glad to recover. Naturally, such a view-point is short sighted, in that those few who hold it are not looking to the future with a realization that the conditions of 1933 are probably no more normal than were those of 1929.

A momentary consideration of conditions during the period from 1927 to 1930 will assist in attaining a proper perspective. Then, in spite of their treaties and excess of loss covers, fire insurance companies were often pressed to secure adequate reinsurance capacity. When the only market for facultative coverage was amongst their competitors in the direct writing field, requests for assistance were likely to receive scant courtesy. Most companies then had the offer of more direct business than they could absorb, so there was no evidence of a general disposition to aid competitors. Besides, facultative offerings were usually looked on, justly or not, with suspicion and the idea was general that no money could be made on the class. As a result, when reinsurance companies entered the field, their more liberal and specialized treatment of their clients' requirements made their presence welcome.

Operating Economies Offset Higher Losses

Then came the depression. At first, loss of premium incomes and attendant shrinkage in premium reserves only balanced losses in assets and therefore the facultative market was still useful. However, stabilization was eventually effected by most companies through the use of convention values for securities, the persistence of remarkably low loss ratios and the institution of operating economies. But premium incomes continued to shrink out of all proportion to the lessening in the capacity of the market, with the result that the majority of companies started seeking, by all proper means, to minimize that shrinkage. In view of the generally favorable loss experience that has obtained since 1931, it is natural that extensive upward revisions of lines should have been made and the inevitable result of that has been, of course, a still further loss of reinsurance premiums.

Finally, the facultative operations of the various reinsurance companies possessing such departments having been successful, the fact became known and the thoughts of the direct writers turned toward that source of additional income. As conducted by reinsurance companies, a facultative office may be expected to yield a considerably higher loss ratio than a direct writing office, due to the larger proportion of accommodation business it accepts. But its specialized nature permits operating economies to offset the higher losses. It is logical that direct writing companies should take steps to swell their premium incomes by using the facultative premiums they have to offer to secure reciprocity, but on account of their higher expense ratios it is quite possible they will discover that business on which reinsurance companies can eke out a profit, yields a loss to them.

It is now quite a general practice for direct writers to seek facultative reinsurance for themselves, to compensate for the premiums they cede and to that end, to use those premiums to secure reciprocal business. The reinsurance companies have no such reciprocity to offer. The only weapons they possess with which to combat it and retain their standing are those of a stable and permanent market for the ceding companies' business, superior and prompter service, due to their specialization, than direct writers are able to give, the greater proportion of accommodation they can afford to grant due to their lower operating costs and the fact that as they are not competitors, business placed with them is confidential and is not subject to such attacks as are alleged to have sometimes occurred following disclosure of accounts or pertinent facts through reinsurance with a competitor.

Market Is Existing on Few Crumbs of Business

Those are the conditions which have developed in the facultative reinsurance market over the past three years and they are the conditions existing today. To say that matters have grown progressively worse, especially for the reinsurance companies, during 1933, is a mild statement of fact. The year has witnessed the active entry into the field of two additional reinsurers seeking a share of the decreasing facultative premium income. The market is now existing on the few crumbs of business that it can forage, but in number and nourishment, those crumbs cannot sustain its life indefinitely. To continue the analogy, many of those crumbs unfortunately are poisoned and it sometimes seems to the facultative offices that they must face a slow death by starvation due to lack of business as the lesser evil to being poisoned to death by obviously bad business.

To date, the facultative market's one salvation has been the pronouncedly favorable loss experience. Be it attributable to chance or to changed economic conditions, it is nevertheless true that recently the loss ratio has, on the average, been heavier on the so-called preferred classifications of risks, of which the strictly facultative offices see relatively few, than it has been on the high rated and accommodation classes. It would seem nowadays that, as a rule, rates on heavy physical hazards, being non-competitive, adequately reflect those hazards and that if moral hazard can be eliminated, such business can profitably be written, assuming the expense factor is kept at its minimum; whereas preferred risks, on which the moral hazard is non-existent, are usually rated so low, due to mutual and other competition, that the margin of underwriting profit, if any, which can be anticipated on them is very slight.

Hope for Extensive and Speedy Increase in Values

But one can be certain that the favorable average loss experience on the small volume of business which now finds its way into the facultative offices either will not be permanent or in due time the direct writing companies will increase their retentions on the profitable classes and thereby still further reduce its volume. That they could easily do in most instances. because principally low retention hazards, not subject to serious conflagrations, are involved. So the facultative market can only hope for a speedy and extensive increase in insurable values and premium volume generally to restore its usefulness, enable its continued existence and lessen the competition it now faces from the direct writing companies.

Reinsurance Capital Is Honestly Administered

Reinsurance companies, with a few possible and unimportant exceptions, do not consider that they are encroaching on the territory of the direct writers by seeking facultative reinsurance. Reinsurance of any type is their business. It is to conduct that business that capital was invested in them. It is their wish to supplement and assist the activities of the direct writing companies in accordance with the true function of reinsurance. It is not their desire or intent to compete with them. To avoid suspicion of such intent, they have so far extensively resisted the pressure brought on them to enter the agency field, although by so doing they could unquestionably buy much desirable reinsurance in which they now have no opportunity to participate and thereby materially improve their average classification of business as well as swell their attenuated premium incomes. Instead, they have so far practically limited their operations to transactions with company offices. Also, were the facultative reinsurers forced to enter

(CONTINUED ON PAGE 15)

Some of the Incidental Benefits of Reinsurance Are Cited

BY ROY E. CURRAY

The primary purpose of every reinsurance arrangement is to enable the direct-writing company to give its agents adequate facilities on acceptable risks without exposing itself to an unduly large loss in one event. We are aware that a great deal of reinsurance is offered on undesirable risks, but this is the exception rather than the rule, and it is not within the true purpose of reinsurance. On the whole we believe that the managers of the direct-writing companies intend to be honest and fair in placing their surplus lines, and that they feel they have been properly cared for if capacity is furnished on acceptable risks.

If a reinsurance company is properly to serve its direct-writing clients, and at the same time make a reasonable profit on its operations, it is necessary that it know as much as possible about the risks it reinsures. We suggest four methods which may contribute to this knowledge and thereby result in benefits both to the reinsurer and the originating company.

Contact Should Be as Close as Possible

First, it seems to us that the contact between the reinsurer and its client should be as close as possible; preferably it should be directly between its officers or managers and those of the ceding company, without the intervention of any broker or other intermediary. This method of doing business may mean a great deal of traveling for the reinsurance official. If the office of the client is in another city it may mean absence from home and living in Pullman cars; but it does make possible an exchange of information and ideas that could not otherwise occur. For example one of our officials recently assisted one of our clients in obtaining a very valuable agency connection.

Second, if the reinsurer is to have the facts about the risks accepted, the binders, bordereaux, and/or daily reports must give fairly complete information. It must be obvious to anyone who has given careful study to the question of reporting reinsurance, that the bordereaux plan has been greatly oversold. We have always found the skeleton daily report much more satisfactory. Except where a very large volume of business is concerned, we are convinced that this method of reporting involves less work for both the ceding and the accepting companies.

Simple, Skeleton Daily Reports on Typewriter

Many companies have purchased expensive machinery and set up an elaborate system to report on bordereaux volume of business which could have been handled with more ease and satisfaction to themselves—as well as their reinsurer—by the use of simple skeleton daily reports made up on an ordinary typewriter. While it is comparatively easy to make out bordereaux in the first instance, when we consider the fact that more than one-third of all reinsurance cessions are later canceled, in whole or in part, the task of keeping the entries up-to-date becomes extremely burdensome. The format of the sheet is such that when errors occur and correspondence ensues, there is confusion and unnecessary work involved in filing the correspondence and correcting the errors.

Third, when the bordereaux or daily reports are received at the office of the reinsurance company, they should be reviewed with care. We appreciate the fact that there are almost as many schools of underwriting as there are insurance companies, and that the reinsurer must take a broad-gauge attitude and adjust itself and its ideas to those of its direct-writing client. We do however believe that a reinsurer should exercise at least ordinary intelligence in knowing what hazards it is assuming; and if it develops that a risk offered is particularly undesirable, the reinsurer should place all information at the disposal of its direct-writing client. We have yet to find any company manager who did not apreciate receiving information we had in our possession which indicated the risk offered was decidedly undesirable. As a rule company managers are not intentionally writing risks of this class and they appreciate any courteous assistance which can be rendered.

Should Analyze the Business Statistically

Fourth—and we wish to emphasize this method because it is unusual for a reinsurance company—we believe an attempt should be made to analyze business statistically. Much can be done in the statistical department of a reinsurance company to appraise the offerings from a particular contract or source. It is easy to keep the losses incurred up-to-date and it is comparatively easy to compute the premiums earned and the ratio of losses incurred to premiums earned. Without great effort both the premiums and losses can be grouped in major divisions according to occupancy, construction, and protection and roughly grouped according to desirability.

Losses May Be High but Quality Satisfactory

While we do not share the view of some reinsurance men that each contract should stand on its own feet and produce an average loss ratio, we do believe it is helpful for the managements of both companies to know the correct loss ratio and the detailed experience on the contract. It seems to us that this analysis is a proper and valuable check on the inspection of the individual risks as shown by the bordereaux or daily reports. Furthermore such analysis may disclose to the ceding company which classes of risks should be sought after and which should be avoided.

If it happens—and it does hapen in some cases—that the loss ratio on a particular contract is high but the inspection of the daily reports and the statistical analysis of the business shows that the risks were desirable, no one should be disturbed by the high loss ratio. If however the inspection of the daily reports and the statistical analysis shows too much undesirable business, both the ceding company and the reinsurer should be alarmed, whether or not any losses have occurred. Obviously any information relative to the business on a particular contract or a particular company is confidential and such information should never be furnished to anyone other than the persons entitled to it.

In addition to the analysis of the business received from a specific source, a fire reinsurance company has an unusual oportunity to analyze and study the general experience by classes from the whole United States as well as from particular sections of the country. It seems to us that this opportunity is unusual because of several reasons.

1. The business of a reinsurance company is composite, coming from many sources and ordinarily from every state in the Union.

Has Time to Make Study For Benefit of Clients

2. The statistical department of a reinsurance company is not obligated to spend its time furnishing information to bureaus, associations, and states; and therefore it has more time to devote to the study of its business for its own benefit and the benefit of its customers. In our opinion the statistical department of a reinsurance company should be able to act as a valuable research department.

Successful modern industrial organizations — whether they manufacture food, chemicals, or machinery—have come to realize that adequate research departments are their best assets, and that money spent in properly studying improved products and methods is a good investment.

Keeping Abreast of the Various Changing Factors

As we see it the same principles carry over into the insurance business. No factory deals with as many different kinds of articles as a fire insurance company. Furthermore the properties insured are subject to different climatic, industrial, and racial conditions in the different states. Even the rating methods used differ in different parts of the country. Frame protected dwellings may be unprofitable in Texas while they are money-makers in some other parts of the country. Furthermore all these factors are continually changing. If we are to underwrite intelligently these changes must be promptly recognized and taken into account. We cannot be sure of doing this unless we have the services of a well-organized and adequate statistical department which is an integral part of the progressive reinsurance company.

ROY E. CURRAY

Roy E. Curray is president of the Inter-Ocean Reinsurance of Cedar Rapids, Ia. He became connected with the Iowa insurance department in 1920 and the next year joined the Inter-Ocean Reinsurance as office manager. Later he became assistant secretary. In 1922 he was elected secretary and in 1932, following the death of Dr. John L. Lord, he was elected president. He is a graduate of Parson's college, Fairfield, Ia., and of the Harvard Law School. He is a young man who is carrying on intelligently and aggressively the successful operations of the company.

Catastrophe Reinsurance Development Traced

By ROBERT VAN IDERSTINE, JR.

Catastrophe covers—one of the most valuable forms of reinsurance—are a comparatively recent development. It was following the San Francisco earthquake and fire in 1906 that their value was brought forcibly before the companies and had this loss been more widely distributed by conflagration reinsurance, fewer companies would have failed or found it necessary to call upon their stockholders to replenish their depleted treasuries. Today conflagration excess of loss covers are carried by many of the companies whose liabilities are large and who have heavy concentration in areas subject to severe single losses.

While conflagration policies some years ago were complicated and cumbersome, they have followed a normal course of development and the contracts now being placed are far simpler and cleaner cut through the elimination of many objectionable and onerous clauses which were difficult for the company to comply with.

Opinions vary amongst company officials as to whether the danger of conflagrations is being gradually eliminated by improved building construction and increased efficiency of fire protective agencies. This would seem to be the case in the largest cities in the United States, particularly as far as the congested value districts are concerned. On the other hand, in smaller cities construction has not kept pace with the enormous increase in values in the last 20 years. Accordingly the companies have had to face the possibility of a very substantial loss in the event of a fire getting out of control in a great many towns and cities which previously did not cause any anxiety as far as a conflagration was concerned. Moreover, closely built dwelling areas and manufacturing districts on the outskirts have so increased in size that they have become quite a hazard from a congested point of view. In addition, in those towns where there is a waterfront the prospect of fire spreading on a high wind over a number of piers and warehouses is always imminent and would involve heavy losses to buildings and stores. Many waterfront fires in recent years testify to this possibility.

As the fire excesses were very nearly a direct result of the San Francisco fire, so the tornado excess of loss covers developed most rapidly following the first disastrous tropical hurricane which swept the Florida coast in 1926. Companies were quick to appreciate the value of tornado excess contracts, especially when they realized not only the difficulty of controlling exactly their tornado liabilities, but also that it was only through such protection that they could at all closely establish their net liabilities subject to one loss. One cannot stop a tornado nor does anyone know when or where a severe windstorm is

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Advantages of Treaty Over Excess of Loss Covers Outlined

By W. J. LANGLER

During the past few years it has been the experience of most of us engaged in the reinsurance business to hear from pessimists or from alleged clairvoyants that the days of the reinsurance treaty were numbered—that it was passé, outmoded and fast being replaced by the excess of loss cover. Something similar was said about the horse but judging from recent reports there has been a pronounced revival in horsebreeding, for it has been found that no automobile supplied the equivalent of horseback riding. It is just a matter of everything having its proper uses.

Utilizing this as an analogy, it is reasonable to suggest that despite the obvious services rendered by the excess of loss cover, there are distinct and different services capable of being rendered by the reinsurance treaty.

While it is true that there are companies who try to make the one or the other fit both objects, they each have their individual fields, in which they bear some such relation to each other as the automobile and the horse.

Excess of Loss Cover Has Its Usefulness

For instance, in limiting the amount of loss in a given area—city, state or country-wide—the excess of loss cover is indisputably more suited to render this service but when it comes to individual risks, the adjustment of the net line to meet the individual case is just indisputably better taken care of by a reinsurance treaty facility than by any other means.

From a catastrophe standpoint there is a definite object in view at all times, i. e. that the amount of loss suffered in any one disaster shall as far as possible be limited to a certain total. In accomplishing this an excess of loss cover is admirably fitted for the purpose and the reinsurance treaty is no comparable substitute. On the other hand, most companies like to treat each individual risk on its merits. Despite the fact that they have line sheets applicable to the various classes, everybody knows that these are elastic and are stretched and contracted to meet the individual case, which is affected by location, construction, exposure, susceptibility, financial responsibility and all the other considerations that enter into an underwriter's conception of what is the correct net line for the risk.

Attention to Individual Risk Is Important

As a means of meeting this latter requirement, the customary method of reinsurance is unbeatable and few indeed are the company executives who would exchange it for any other kind of cover which includes a cut and dried fixed and definite loss limit for certain classes or constructions. There are too many local contributory features having an effect upon the hazards assumed by the company, and the underwriter quite naturally and in true conservatism wishes to make its stake larger or smaller as circumstances demand. It is difficult to imagine any other arrangement. Careful underwriting demands individual risk attention.

It quite readily could be said that a company could afford to take a loss of a certain amount on this, that or the other class but it is contrary to human nature to contemplate such a loss on a risk of such a class when the fundamentals of the individual risk indicated a high possibility of such an event occurring. It might be said that reinsurance could in such cases be effected to reduce the net line but such action would more than likely violate the excess of loss cover provisions as to net loss and in any event, if the object is to get away from individual reinsurance, the making of exceptions would be a breach in the wall through which a surprising flood might flow.

It is not within the scope of this brief article to argue the respective merits of obligatory or non-obligatory agreements or facultative reinsurance. It is apparent to anybody experienced in the business that a first surplus obligatory agreement is the most satisfactory arrangement from the point of definite facilities to the ceding company and a sure position to the reinsurer. It takes care of losses which occur before reinsurance has been determined or through failure to record reinsurance, in a manner that no outside or facultative or non-obligatory arrangement contemplates.

There is, however, one aspect of the subject which should not be dismissed without comment. It has been said that excess of loss covers have been entered into to save the expense of reinsurance treaties.

In the first place, of course, the two things are different. With an increase

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W. J. LANGLER

W. J. Langler, secretary of the Rossia, in the accompanying article treats one of the most provocative subjects in the field of reinsurance. The excess of loss cover, which is offered in place of treaty reinsurance, is a challenge to the whole theory on which the regular reinsurance companies operate. Mr. Langler is a student and is constantly turning over in his own mind ideas for the betterment of operations in the reinsurance field.

Men in Charge of Facultative Line Have Broad Horizon

The facultative reinsurance business is fascinating to those who are in it, but is far from being a source of envy to those who are not. The men responsible for facultative operations have an exceptionally broad horizon, but within that horizon they are pinned down to specific cases. That is, they may be called upon to study the oil field situation in California, but their study is for the purpose of giving them information on which to act on a single risk. Their outlook is national and they must possess much the same attributes and have the same outlook as the man in charge of the entire underwriting operations of a direct writing company. The outlook of the treaty reinsurance executive, on the other hand, is confined more to the direct company.

Those outside the facultative business are content to stay outside. They can't see anything in it but dynamite, although none of the reinsurance companies that maintain facultative departments shows any indication of being blown up. Some of the companies, indeed, report that their loss ratio in the facultative department is more favorable than from their treaties. Others, however, count on a higher loss ratio from the facultative division and undertake to compensate by keeping the expenses of the facultative department at a minimum. That makes the business even more difficult. The facultative department is called upon for astute underwriting and yet the expenses are all important and elaborate machinery can not be set up to provide underwriting information.

Card System Used by Some Facultative Men

The equipment of some facultative departments consists merely of a card system, with memorandum as to what liability is being carried. When a risk is submitted, the cards are consulted to determine whether the reinsurer is already committed, so as not to get doubled up on one risk. Most of the facultative men depend on their friends and clients in the direct writing field to help them with information and have access to the maps, inspection reports, etc., of direct writing companies.

In addition to the ordinary run of facultative business, there are a certain number of facultative treaties in existence. Under these arrangements the reinsuring company has the privilege of canceling, but the direct company may bind the reinsurer and issue the policy. These treaties are usually held by out-of-town insurance companies, who are remote from the facultative market.

Some of the reinsurers have certain rule of the thumb underwriting standards. For instance they exclude risks in certain sections such as Rockaway and exclude certain classes such as cotton gins and converters. Others are making greater use of the investigating organizations and getting credit reports on risks.

When the direct companies began to get alarmed about their unprotected business, there was a great influx of unprotected risks on the facultative market. The reinsurance companies were not able to put up a barrier against these accommodation lines, because they must be of service, but they did adopt certain rules. For instance, one of the facultative departments declines dwelling house risks, where the value is less than $5,000. This was done because the great flood of losses seemed to be due to the burning of very cheap dwellings. This reinsurer felt that if the value of the building was $5,000, the reinsurance would be more in the nature of an excess line than as strictly accommodation business. This reinsurer permits the direct company to retain as little as $1,000 on unprotected dwellings, where the value is $5,000 or more. The reinsurer, however, will not take more than $1,000 on frame buildings and $1,500 on brick. A considerable proportion of the facultative risks are unprotected dwellings, although the revenue from that class is small.

The objective of the treaty reinsurer is to get a spread of ordinary business. Preferred business is not obtainable, or if it is, the coinsurance clause is lacking, and the facultative department cannot afford to load up on accommodation business. The system is then to rigidly adhere to the line sheet and get a spread of ordinary business, such as mercantile, special hazards, schools and churches.

During the early part of the year, especially from February to May, cancellations in the facultative field were heavy, reflecting the continued cutting down of insurance carried and also because of the practice of the direct companies, endeavoring to retain as much volume as possible, in taking back business that was reinsured facultatively. Business that was placed facultatively with other direct writing companies was also taken back. A few direct companies this year took back all of their facultative reinsurance, turning their gross lines into net. Some of these companies requested cancellation under these circumstances on a pro-rata basis, but so far as can be learned, none of the reinsurers acquiesced and the direct companies took back this business even when compelled to suffer the short rate penalty. However, since the middle of the year cancellations in the facultative field have fallen off materially.

Facultative Is Handled On Reciprocal Basis

Just as there has been a tendency among direct companies to make reciprocating treaties, there is a tendency for them to handle reinsurance facultatively on a reciprocal basis. The direct companies have reached out in every possible direction to bolster their premium income, so as to keep the expense ratio from skyrocketing. The reinsurers feel certain that these reciprocal arrangements will not prove permanent, that one company will give off a better grade of business than it receives, or it will give off greater volume than it receives, that there will be a vast amount of pulling and hauling, so that when premium volume starts again to increase naturally, the companies will terminate these deals and return to reinsurance with exclusively reinsurance companies.

There are seven reinsurance companies which maintain facultative departments. The two men in the business who have had the longest experience are R. H. Long of the American Reserve and C. D. West of the Eagle Fire and Baltica who maintains headquarters in New York. Mr. Long started in the facultative reinsurance business in 1925 with the Corroon & Reynolds organization and Mr. West, at about the same time, started a facultative department in New York for the Inter-Ocean Reinsurance of Cedar Rapids, Ia. In Mr. Long's department is J. B. Carvalho, son of Maj. B. N. Carvalho, president of the Metropolitan Fire Reassurance of the Rossia group.

Then there is Frank H. Newman of the General of Paris and James Ratchford of the Prudential of Great Britain and Skandia. Mr. Newman and Mr. Ratchford were formerly fellow underwriters for the Royal-Liverpool organization. The Prudential seems to be offering heavy competition, for one reason, because it is under the same management as the Skandia, and its United States manager, C. A. Nottingham, is also assistant United States manager of the L. & L. & G. These connections give the Prudential facilities for handling large lines and the company is making a big bid for business.

Alonzo Church, who was formerly vice-president of the La Salle Fire of New Orleans, recently was installed in New York to open a facultative office for the Inter-Ocean Reinsurance and is a vice-president of that company.

In Chicago some of the companies have facultative representatives. There is R. H. Erickson, who acts as general agent for the General of Paris and American Reserve, and Mrs. Rudolph Belcher, who is ably carrying on her late husband's work in behalf of the Eagle and Baltica. Mr. Erickson represented the Reinsurance Corporation of America until it was reinsured by the American Reserve in 1930. He took on the General also in 1930.

Place of Intermediary In Reinsurance

The reinsurance broker or intermediary occupies a highly specialized place in the insurance scheme. He exists and justifies his existence principally because reinsurance is itself so highly specialized as to be considerable of a mystery to many officials in the direct writing field.

So far as treaty reinsurance is concerned, the usual practice of the reinsurance broker is to obtain the authority of a direct writing company to place its treaties. There is no charge to the direct writing company for this service, the broker getting his compensation in the form of a small, renewing commission with the reinsurance company.

The reinsurance broker knows the market, knows the technicalities of reinsurance, provisions of treaties, rates, standing of reinsurance companies, etc. That knowledge is found to be valuable by a good many direct writing companies, who prefer to deal with an intermediary rather than direct with a reinsurer. Some of the reinsurance companies, however, will not accept business from brokers.

Brokers Help to Make Reciprocal Arrangements

Sometimes a direct company desires to effect a reciprocal treaty with another direct writing company and the broker may know of some connection that is available or if he does not he is in a position to search for a deal without embarrassment of any kind.

After a treaty has been placed, there is a certain amount of service work for the broker. Difference between direct writing company and reinsurer may develop and the broker, knowing the difference in viewpoint of the two types of carriers and the disposition of individuals as well as the technicalities in the matter, may effect a solution more satisfactory than if the direct writer and reinsurer attempted to deal direct. The broker is often found useful by remotely located companies that hesitate to send a man to the reinsurer's city on questions that may arise.

The reinsurance broker is helpful when it comes to arranging catastrophe covers. This is a highly specialized phase of insurance, with which many direct writing executives, who may have a good knowledge of treaty reinsurance, are unfamiliar. Many executives have little notion as to the fair cost of the cover and are not acquainted with the various clauses. The services of the broker are really indispensable in this direction, because direct writing companies can't go direct to London Lloyds, and much to the chagrin of many executives, London Lloyds is practically the only market for catastrophe excesses.

What Tornado and Fire Catastrophe Covers Pay

A catastrophe cover must be adjusted to the circumstances of the individual company and the advice of the broker is valuable. A fire catastrophe cover undertakes usually to pay 90 percent of the ultimate net loss of a company beyond a certain figure in any conflagration and a tornado excess undertakes to pay 90 percent of the ultimate net loss of any storm or series of storms in a locality in a period of 48 hours. The ultimate net loss is the loss after deducting all recoveries from reinsurers and salvage.

Different Amounts of Deductibles Advisable

Some of the smaller companies that are located in points other than the large underwriting centers are likely to think of catastrophe covers as being necessary only in the larger cities. As a matter of fact these companies may have liabilities in the smaller towns and cities in the general neighborhood of the home office that exceed the liability in larger cities. For that reason a reinsurance broker will suggest that such companies

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Prominent Casualty Reinsurer Executive

GEORGE E. TURNER
President First Reinsurance

Current Problems in the Realm of Casualty Reinsurance

The premiums flowing to casualty reinsurance companies from what might be termed normal sources declined materially during the year, but probably not to the extent that the premiums of direct writing companies declined. Many of the direct companies cast off compensation business in wholesale fashion during the year and moreover suffered a further decline in the revenue from this branch of the business because of reduced payrolls. Very little compensation premium finds its way to the reinsurance companies, inasmuch as the requirements of the large direct writing companies are provided for in the Workmen's Compensation Bureau. Therefore the reinsurers did not do a wholesale scaling down of business on their own initiative, as did many of the direct companies.

The only scaling down on the part of reinsurers comparable to the action of the direct companies in the compensation field is in accident and health. This is the line about which most of the worries of reinsurance people center. Virtually all of the reinsurers have canceled all contracts with exclusively accident and health companies. This has caused some diminution in income, although this weeding out process has been evident for two or three years, so that the loss in income will not be more pronounced in the statements this year than in recent years. Partially offsetting this loss in revenue, is an increase in accident and health income from some of the multiple line treaties because of the insistence on the part of reinsurers that they be given a more representative slice of the accident and health business instead of getting a disproportionately large part of the high principal sum cases and a disproportionately small section of the weekly indemnity.

Reinsurers' A. & H. Loss Ratio Somewhat Better

These underwriting tactics of reinsurance companies plus reformed practices of many of the direct writing companies in line with the program of the Bureau of Personal Accident & Health Underwriters has caused an improvement in the accident and health loss ratio of reinsurance companies. One of the largest companies in the reinsurance field which showed a loss ratio of more than 80 percent in the line last year, for the first nine months this year had a 70 percent record. Some reinsurance executives express surprise that the results of the reformative action taken have been evident so soon.

The premium income of reinsurance companies will not be swelled this year through portfolio reinsurances, as it has been in the past two or three years. This is not regretted by reinsurers, who reinsured portfolios at the end of the year in the past either as an accommodation to old treaty holders or as means of obtaining new treaties and not because the volume was desired. At the end of 1930, '31 and to some extent '32 the reinsurers were beset with requests to take over portfolio reinsurances in order to release premium reserves to surplus in the interest of strengthening the statements of direct writing companies. Although such business was not desired on its own account, much of it was taken and that explains the bulge in premiums of some of the casualty reinsurance companies in depression years. It also explains the sharp drop the following year in the reports of some of the companies.

This year the direct writing companies although still beset with grief, are not as distraught and desperate as in former years. The improvement in the stock market in the early summer was beneficial. Then the companies have had time to adjust themselves. Many companies that were carrying too much business, have lost a considerable amount gradually or have cast it off voluntarily, thus whittling the premium reserves to a more supportable size. Then, too, there have been failures, and other companies have been placed beyond danger through the good offices of the Reconstruction Finance Corporation. In previous years recently, the end of the year has been a time of panic and emergency measures were needed. This year, however, the companies were able to face the year end with much more composure and the resources of the reinsurance companies were not needed nor called upon.

Special Arrangement For Carriers Subject to Rumor

Some of the reinsurance companies, however, during the year made a few somewhat unusual arrangements that increased their premium income beyond what the treaties produced. These deals were made for some of the direct writing companies that have been good citizens and profitable accounts for the reinsurance companies, but that were the subject of widespread rumors. The plan was for an agent of such a direct writing company to pay his premiums into a trust fund. The reinsurer agreed to pay all losses on this business into the trust fund and in the event of failure of the direct writing company, the agreement was that the return premiums should be paid from the fund. The policies were written in the direct writing company, but the reinsurer virtually agreed to stand back of the policies 100 per cent so far as the agent was concerned. Ordinarily in the event of failure of a direct writing company, the amounts due from the reinsurer are payable to the receiver of the direct company, being commingled with the general fund and not earmarked for a particular policyholder.

Such arrangements as these were for favored agents, who wanted to be loyal, but wavered at staking their welfare on companies about which serious doubts had developed. The arrangement also aided agents in retaining business which was threatened by the attacks of competing agents. The policyholder could be shown that he was, in effect, dealing direct with the reinsurer.

The reinsurance companies did not lose much money during the year on account of company failures, although they were subjected to considerable overhead expense in bookkeeping work. When a reinsurance company has had dealings with a direct company for any length of time, at any moment there are usually enough items owing by one party to the other to offset the indebtedness in the other direction. Some knotty problems were projected for some of the reinsurance companies in the reorganization of the National Surety, although little money was lost by the reinsurers.

Able to Get Fidelity Without Surety Risks

In addition to accident and health the line that causes the brows of reinsurers to wrinkle is surety. Satisfactory provisions have never been devised for handling surety reinsurance on an obligatory basis. There is always a segregation of classification against the reinsurer, the direct company retaining net all of the desirable business, particularly that on which collateral has been posted and ceding the limit on target lines. Most of the reinsurers would like to retire from the surety field entirely, but they are unable to do so and they continue to deal with multiple line companies, which demand this accommodation.

During the year, some of the reinsurers detected a ray of sunshine in that they were able to induce some multiple line companies to reinsure fidelity business without demanding that the reinsurer accept surety. Apparently some of the direct companies are beginning to appreciate the predicament of reinsurers so far as surety is concerned. The direct companies, themselves, have suffered so many headaches in the surety field and have tightened up in their underwriting so drastically that they cannot, in good grace, make unreasonable demands upon reinsurers.

Factor of Doubt as to Direct Writer's Standing

Another reason why direct companies are showing more consideration to reinsurers in the matter of surety is that, because of the uncertainty as to the condition of several companies, there is less tendency to trade reinsurance or coinsurance with direct writing competitors. Then again, some of the direct writing companies have made reciprocal obligatory surety treaties with other direct writing companies and they have learned, from experience, the pitfalls in that procedure.

Although surety lines are being arranged among direct companies today almost exclusively on a coinsurance rather than a reinsurance basis, that does not protect altogether the interests of the remaining companies on a bond, when one of the co-sureties goes under. If the bond is arranged on a limited cosurety basis, the remaining companies are liable for a greater share of a partial loss, in the event of failure of one of the co-sureties. If the cosuretyship is not limited, and one of the companies fails, the remaining sureties are liable beyond their limits for their proportionate share of the liability of the insolvent surety.

There is a fair degree of uniformity among reinsurers as to what surety classification they will accept under an obligatory treaty. Most of the reinsurers limit their acceptances to fidelity, bankers blanket bonds, post office bonds, public and federal official bonds with a side understanding that the reinsurer is absolutely protected against any liability because of the depository feature, fiduciary, contract, both construction and supply, judicial including plaintiff's bonds, attachment, injunction, and replevin only, license and permit, internal revenue and customs bonds except tax abatement bonds, and lost securities bonds. These are the only classifications that are permitted for automatic cession in many of the treaties.

International Had Only Few Regular Treaties

The failure of the International Reinsurance did not result in releasing many treaties to the rest of the reinsurers, for the reason that, at the end and for some time before the end the International had only a handful of treaties, most of which were not desirable and were handled on an unorthodox basis. For instance the International, in order to help out a direct company which was in dire straits and is now out of business, reinsured that company's automobile liability business over $1,000. However, the International was something of a disturber in the treaty rensurance field to the end, because it was soliciting business and offered rates and terms that were obnoxious to competing reinsurers. The International was something of a lever that some of the direct companies could use to get a better deal from another institution.

The main field of the International, so far as reinsurance was concerned, was excess covers for self insurers, and excess over primary covers for brokers. There is competition in the field of excess for self insurers among all the casualty reinsurers except one, and, accordingly, the propensity of the International for buying the business at whatever cost, caused much disturbance.

The writing of excess covers for self insurers has been slowed down considerably by the rulings of Superintendent Van Schaick of New York that except in compensation such contracts constitute direct insurance and are, as a consequence beyond the writing powers of reinsurance companies. There seems to be no doubt that these rulings of the New York department were prompted by representations of the direct writing companies. Therefore the reinsurers are not loud in expressing resentment. The Van Schaick rulings have also put a crimp in the business of writing excess over primary covers for brokers, inasmuch as the New York department requires the company writing such covers to charge

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Observations of Employers Reinsurance

From the standpoint of contact with the casualty business, the Employers Reinsurance of Kansas City occupies an advantageous position, serving as it does not only a large number of carriers who cover restricted territories quite intensively, but also a considerable number of the larger companies, whose territorial activities are much broader. Its business is quite well distributed over the entire country, and it also operates in Canada.

Comment of the management of the Employers is to the effect that most casualty lines show a definite tendency towards improvement, and in some classes such improvement is quite marked. This is particularly true of accident and health, due, to a large degree, to a tightening up of liberal policy forms and much more rigid underwriting requirements; there is also a marked decrease in claims arising from suicide.

Experience on public liability lines, including automobile, shows a tendency towards improvement. The volume is still lagging on these classes but there is a general expectation of an increase in the near future.

The Employers notes a much more conservative underwriting policy in fidelity and surety lines. As a whole, the results are definitely better than a year ago. Contract-bond business, of course, will remain somewhat unsettled, pending readjustment of labor cost and material cost as national recovery progresses.

In compensation this reinsurer has discovered little improvement; they comment that conditions and causes are so well known and completely evident that further remarks would be trite. The effects of the NRA have not as yet been noticeably reflected in compensation lines.

As to its own experience, the Employers reports a normal and comfortable loss ratio, and satisfactory volume. The usual quarterly dividends indicate not only satisfactory underwriting experience but the continued satisfactory state of its investment portfolio.

Casualty Reinsurance Problems

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manual rates. There is, therefore, no advantage to an assured in buying his lower limits from a direct company and the higher limits from a reinsurer. In fact there is a disadvantage, in that he is burdened with two contracts instead of the one which he would have in buying the entire amount from one company and permitting that company to reinsure its excess.

Recently there has been a considerable demand for so called stop loss covers in the compensation field. The demand seems to have been stimulated by the activities of several service concerns, which undertake to provide the claims and legal service which the assured would receive if he purchased his insurance through the regular channels.

How the Stop Loss Cover Is Arranged

In developing a stop loss cover, the first consideration is the amount of compensation premium which the assured has been accustomed to paying. Perhaps the premium has been about $10,000. The proposition then might be that the reinsurer would pay all losses in a single year in excess of $8,000 or 80 per cent of the amount the assured has been paying in the past. The service concern might charge $1,000 for its work and then there would be the premium for the stop loss cover. The $8,000 would be put into a trust fund, to be used for payment of losses. If, at the end of the year, the losses had amounted only to $5,000, there would be a residue of $3,000 and the assured would be required to deposit only $5,000 the following year.

Some of these contracts have been placed among casualty reinsurers, although those companies are looking at the business askance. They fear that this arrangement is likely to be construed as treading on the toes of the direct companies to a far greater extent than the ordinary excess covers for self insurers, which merely provide protection against losses in excess of a certain amount in any one accident.

Some of the reinsurance companies see dangers in the stop loss field. They feel that such an arrangement would be particularly attractive to an operator who might be conscious of a potential loss situation that would not be apparent on the surface. Perhaps the occupational disease factor might be involved to an extent not appreciated by the company writing the stop loss cover.

Another objection to stop loss covers on the part of reinsurers is that it lets them in for indeterminate liability, for the payment of pensions over an indefinite period, for instance. The reinsurance companies have had their full quota of that sort of liability in non-cancellable accident and health business and they don't want to get their necks in a new noose. Incidentally one of the important reinsurance developments during the year was the lump sum payment by the General Reinsurance to the Pacific Mutual Life for cancellation of all liability under its non-can treaty with the Los Angeles company. This had been a weight over the head of the General for some time. One of the other companies which ceased assuming new non-can liability several years ago, is still suffering heavy losses. For instance during the first nine months of this year its non-can premiums amounted to about $7,000 and its losses to more than $37,000.

Self Insuring People Cream of the Business

Theoretically, there should be little objection on the part of the direct companies to the reinsurance companies offering their facilities to compensation self insurers, but as a matter of fact, the self insurers, by and large, are the cream of the business. They are likely to be risks that have installed up-to-date safety devices and whose morale is high. However, the reinsurers say that this business is not being lost to direct companies by reason of the fact that excess covers are available, because, if these covers were not available from domestic reinsurers, the business would go to London Lloyds. As a matter of fact Lloyds is exceedingly active in this field and gets a large volume as it is.

In New York state, because of the requirements made by the labor commission for heavily increased deposits on the part of self insurers, many of these risks have gine to the state fund or to the direct companies for coverage on the orthodox basis. Another incentive for buying regular insurance is the fact that payrolls have been down and the cost of compensation insurance in direct companies or the state fund is reduced.

The International Reinsurance was a big factor in coal mine compensation insurance. After the failure of that company the General Reinsurance and the American Reinsurance came to an agreement for dividing the coal mine compensation business. The General restricts its activities to the anthracite Pennsylvania region while the American confines itself to the bituminous field. This business is largely on an excess basis for the coal mine operators who go on a self insurance basis. There is a certain amount of competition. For instance the Eureka Casualty is active in Pennsylvania and the Pennsylvania state fund accepts coal mine risks. Then in the middle west there is the Bituminous Casualty of Rock Island, Ill.

Some of the reinsurers who are not willing yet to give up accident and health reinsurance as hopeless and destined always to be a loser feel that some real research is indicated into the business to determine whether some formula cannot be devised for carrying this reinsurance which will be profitable to the reinsurer and satisfactory to the direct writing company. The reinsurance companies have not given the subject much profound thought. For instance one of the reinsurance executives points out that the companies think of level amounts of principal sum, a level amount being considered $5,000 principal sum and $25 weekly indemnity. This executive feels that there is no logical connection and that there is no real reason for regarding such coverage as "level." It is customary rather than level. Some reinsurers, in their reform program, have insisted that the direct companies do not retain an unlevel amount. That is they object to the direct company retaining $5,000 principal sum and $50 weekly indemnity. That, some critics feel, is begging the question, that there is no reason to tie the principal sum to the weekly indemnity when reinsuring. There is no reason, they say, why principal sum and weekly indemnity should be measured one by the other. They are not divisible, being different things.

One of the reinsurance companies is contemplating assigning a studious and resourceful accident and health man to the job of making a research into the question to determine if there is a way of reinsuring the business or whether it is something that the reinsurance companies would do well to decide definitely to quit.

The reinsurance companies suffered in the rate program of the National Bureau of Casualty & Surety Underwriters about two years ago. At that time rates for the lower limits of automobile liability were increased but the percentage of the basic rate upon which the charges for excess are figured, was decreased. One of the reinsurance companies made a test audit of its experience in several states and came to the conclusion that this reduction in percentage charge for excess had resulted in a diminution in income from automobile liability excess of from 20 to 25 per cent.

Developments and Outlook in Field of Life Reinsurance

By WENDELL P. COLER

The British insurance paper, "The Review," in its Nov. 10 edition, quotes from the Swedish "Gjallahornet" an abstract of a recent discussion at the Swedish Insurance Institute with reference to mortality. It seems that many of the Swedish actuaries believe that the improvement in mortality, which has been almost world-wide in recent years, is due not so much to the advance of medical science as to the general improvement in the standard of living. One of the speakers taking the opposite viewpoint pointed out that many people who would formerly have succumbed to tuberculosis were now living to older ages and that they would presumably yield more easily to the diseases of old age. He pointed out that the influenza epidemic of 1918 might be credited with some of the improvement in mortality of subsequent years because it had eliminated a number of weaker lives.

Improvement Continues in Industrial Field

Perhaps someone will come forward with a real scientific explanation of the recent course of mortality in the United States. At this time it is easy to believe, whatever may be said about the improvement in medical science, that the improvement during the 20's might well be due to the removal of the weaker lives during the influenza epidemic. The low point in current mortality of insured lives appears to have been reached in 1928 or 1929.

However, there seems to be a continuance of the improvement or at least a lack of retrogression in the case of those carrying industrial insurance. Certainly their lot as to standard of living has not improved during the depression and therefore their relatively favorable mortality must be due to some other cause. On the other hand, we have had an increase in mortality among the lives insured in ordinary companies. This increase has been especially noticeable at the older ages and among those carrying larger policies. The increase in suicides and from heart ailments has been especially noticeable. The reinsurance companies serving the life insurance companies of the United States and Canada have been of great service in carrying a large part of the burden for their clients. Indeed they have coined an expression to explain their relative lack of profit in recent years. An expression frequently used is "depression mortality."

A period of depression leads to an increase in efficiency in business management among those institutions which survive. This is true of the life reinsurance business in this country. While the competition for reinsurance accounts remains keen, yet every impediment is being placed in the way of the company which habitually shops its reinsurance, endeavoring in each case to take advantage of the most favorable rating assigned. Such accounts are no longer solicited. There is a growing appreciation on the part of the life insurance companies of the country that a very great service has been and is being rendered by the reinsurance companies. An increasing number of officials regard the relationship which exists between the originating company and the reinsurer as a professional one.

Fortunately life reinsurers were not seriously involved in the income disability benefit which has proved such a source of loss to direct writing companies. With double indemnity the story may be different inasmuch as this benefit seems to have been profitable only when confined to policies small in size. Since the reinsurers customarily receive only part of the larger policies, the reinsurance of this benefit has not been uniformly profitable. Current discussions seem to indicate that reinsurance of double indemnity will be even more difficult to secure in the future. The device of increasing the rate for the policies of larger amounts may be tried.

Furnishing Facilities to Younger Companies

There is every likelihood that the adoption of this device will not prove profitable as it is an axiom of the accident and health business that only those bringing a greater risk than the increased premium charged will pay such larger charges. The result may well be that the business of the life reinsurers will be confined to life insurance. It may be true that it is feasible to add certain sales frills to life insurance policies for small amounts. However, if the current experience of life reinsurers furnishes a guide, it is entirely possible that the issuance of policies with frills will

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WENDELL P. COLER

Mr. Coler, the author of the accompanying article, is actuary of the American Central Life of Indianapolis. Formerly, he was actuary of the American Life Convention and in that work developed an especially broad knowledge of the business. He is a close student of the business and is always seeking to anticipate developments in the life insurance field.

Advantage of Treaty Over Excess

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in net premium arising out of the lower cost of an excess of loss cover as compared with specific reinsurance there is, of course, a large increase in net losses because the company has to absorb all losses up to a certain amount. Usually there is no commission on such covers, so that the entire underwriting expenses have to be borne by the net premium remaining to the company after deduction of the amount paid to the excess of loss reinsurer. Thus their net expense ratio would be greater than their gross ratio.

Factor of Acquisition Cost Is Examined

In the case of treaty (fire) reinsurance, the commission compensation is usually of a flat character, seldom on an overriding basis. It is expected to cover all acquisition costs, assessments and taxes as a general rule. Acquisition costs vary, dependent on the source, as for instance brokers, agency and general agency business. If the former is in any volume the average acquisition cost is naturally lower. It does not necessarily follow that the average acquisition cost of the gross is the same as that reinsured. More than likely the latter has a lower cost, for the reason that on the less desirable classes of risks the acquisition cost is lower and it is also true that the net lines on such risks are lower whereas the reverse is true with the better risks at the higher cost. While some treaties have certain protective clauses it would be reasonable to suppose that percentage-wise there is less of the highest class of business reinsured than of the lower classes. In other words the spread of acquisition cost of business reinsured is probably rather on the lower scale than otherwise, whereas the net lines would probably run the other way, with the qualifying thought that better risks bring lower rates and correspondingly lower comparative premiums. We are, however, speaking of costs.

It is therefore very probable that the commission paid by the reinsurance company assuming the business very amply covers acquisition cost, local association assessments and state taxes. Beyond that, the ceding company thinks of operating expenses. Now it is clear that without effecting a dollar's worth of reinsurance and confining its writings to net lines it would require all of the services it now maintains. None of them are for the exclusive benefit of the reinsurer with the exception of the reinsurance department. While that may be looked upon as an expense the fact remains that it is the ability to absorb amounts in excess of its net lines that makes it possible for a direct writing company to acquire its net volume and consequently while a reinsurance department may be looked upon as a necessary evil and an expense, it is one of its most important assets.

Judging from charts and other sources of information the average country-wide acquisition cost of business is about 26 percent. To this should be added state taxes averaging probably 4 percent and local assessments averaging say 3 percent, making a total of 33 percent to be covered. As suggested earlier in this article, that the average acquisition cost of the business reinsured is probably lower than that of the net line, this total percentage seems a liberal figure. Therefore the payment of 37.1 percent as the average commission rate of eight exclusively reinsurance companies tends to show that they have not only covered the acquisition cost of the business but also contributed 4 percent towards the cost of the reinsurance departments.

Ceding Companies Do Not Reinsure at Loss

Consequently, on this basis, the ceding companies have not reinsured at a loss and this answers the claim made by some executives that they are out of pocket by treaty reinsurance.

A glance over the loss ratio of the past few years of purely reinsurance companies fails to indicate any suggestion that the traffic will bear any heavier burden of cost but on the other hand it surely indicates that the ceding companies are getting back in the combined loss and expense ratio pretty close to every dollar they hand out. That is considerably more than they could hope to do on the basis of an excess of loss cover which would exact an increasing percentage of premiums written if the loss ratio grew unfavorable. This, of course, refers to a cover which would protect individual risks and has no bearing on a catastrophe cover.

It is therefore the opinion of the writer that the old and tried method of specific reinsurance by treaty has by no means outlived its usefulness and is contributing its full quota of assistance to ceding companies in meeting the burden of increased expenditures.

Developments and Outlook in Life Reinsurance Line

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be confined to the limits of the originating company. This would seem to be a logical and very satisfactory development.

Life reinsurance companies have a very great service to perform in furnishing reinsurance facilities to younger companies with small retention limits. Here there is the maximum opportunity for the professional relationship of the reinsurer to the client to serve, inasmuch as the decisions of the reinsurer on cases submitted facultatively will be of great assistance to the underwriting departments of the small companies. Usually this service includes the underwriting of all substandard cases of the client and may include the reinsuring of the entire amount at risk.

The future is not so clear as to the reinsurance of the so-called jumbo risks. Some think that by more intensive underwriting these risks can be selected on a profitable basis. However, one of the factors which leads to the desire to secure reinsurance on the part of the issuing company is the fact that there is a great saving in management costs in the handling of a jumbo policy. This tends to increase the average size of the policies issued by the company and from the expense angle increases the profit margin. So long as we persist in or are compelled to retain our present system of loading, charging so much per thousand regardless of policy size, it is perhaps logical that the reinsuring company should increase its premium with policy size. It will thus secure a portion of the saving in expenses accruing to the originating company and have it available for the excess mortality cost of the jumbo risk.

In the United States there is one factor which has been favorable to the reinsurers. This is the result of the belief on the part of many insurance men a few years ago that most of the profit in the insurance business came from the banking side. This led to the adoption by practically all non-participating companies of the annual renewable term plan of reinsurance. Coinsurance is still in demand from participating companies but it is not popular with the reinsurers. Results have been two-fold: First, the reinsurers have been spared the investment losses accruing in recent years, and, second, the originating companies have not suffered losses which they would have suffered under coinsurance

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Catastrophe Reinsurance Development

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going to strike in the various parts of the country where tornado insurance has become an essential protection. Since this 1926 storm, windstorm covers have again and again proved their value.

As in the conflagration covers, tornado covers, too, must be fitted to the requirements of the company as regards assets and surplus, liability and concentration.

A third and most useful form of catastrophe reinsurance is the automobile excess of loss cover, protecting the writings of the automobile department against unforeseen and unpredictable losses due to an accumulation of insured cars in one fire. This type of coverage is especially valuable due to the fact that most companies carry the average automobile line net, and so have no recourse to the protection of their treaty reinsurance.

Quite obviously catastrophe reinsurance may, and frequently is, applied to many other classifications for both fire and casualty companies. It is readily adaptable to such lines as plate glass, many classes of inland marine risks and both liability and compensation insurance. Naturally each of the various classes requires special treatment to insure the suitability of reinsurance so that it actually protects the contingency for which it was designed.

Must Avoid Doubling Up of the Liability

All catastrophe covers necessarily have to be well distributed among reinsurers whose own direct liabilities are not large. Otherwise a considerable doubling up would take place with the possibility, in the event of severe losses, that the reinsurance might be uncollectable and therefore useless.

Whereas values have decreased and companies' incomes have dropped very considerably in the past four years, the demand for catastrophe protection has, if anything, increased rather than decreased. The enormous drop in security values and consequent decline in companies' surpluses from a market value point of view, has naturally brought about the desire on the part of insurance companies to protect both their policyholders and stockholders against severe unanticipated net losses.

The suitability of catastrophe reinsurance to these modern conditions is well substantiated by the number of companies that have availed themselves of catastrophe protection.

ROBERT VAN IDERSTINE, JR.

Robert Van Iderstine, Jr., who tells something about the origin and development of catastrophe reinsurance, in 1922 started the Holborn agency, which is located at 84 William street, New York City. His father, at the time of his death, was chairman of the board of the American Equitable, and had been president of the Guardian Fire, which was an exclusively reinsurance company. Mr. Van Iderstine, Jr. attended Dartmouth college but in the midst of his courses went to the war, serving with the naval forces. He has been in the insurance business 14 years.

Associated with Mr. Van Iderstine is John N. Gilbert, who was born in London, England, and was educated at Sutton Valence school, Kent, England. He received his insurance training in London and for the past 10 years has been actively engaged in reinsurance in the United States.

Services of Facultative Reinsurers Unappreciated

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the agency field for premium income, the next logical step would be their conversion into direct writers, thereby still further congesting that presently overcrowded field.

Yet the capital invested in our present reinsurance companies is honestly invested, is honestly administered and is honestly entitled to employment. As the conditions brought about by the growth of the group operation of direct writing companies and their resultant need of less outside reinsurance capacity, by the ascendency of excess of loss reinsurance and by the general shrinkage of all premium income, have affected reinsurance companies on the whole far more acutely and extensively than they have direct writing companies, the former can hardly be blamed for employing all the legitimate means at their command to supplement their premium incomes to the end that they may preserve their present entities.

Admitting that the writer naturally has a biased viewpoint, it nevertheless seems reasonable to hope and expect that before it is too late the direct writers will visualize the whole subject of reinsurance in its proper perspective and in connection therewith, realizing the usefulness of a facultative reinsurance market under normal conditions, will extend a fair measure of support to the offices which afford such facilities while the present subnormal conditions in the business of fire insurance prevail. A definite turn for the better in the near future and thereafter a long continued improvement in the insurance business, at least from the standpoint of premium volume, seems inevitable and the facultative reinsurance market is now attempting, with little support from the majority of the direct writing companies, to exist through the present period, to the end that when its facilities are again desired by the direct writers, they will be available.

Developments and Outlook in Life Reinsurance Line

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upon the failure of the reinsurance company. Some companies carrying small amounts of reinsurance have failed and had the reinsurance been upon a coinsurance basis it would have been a serious matter for the originating companies. Since the plans of rehabilitation of failed companies have usually provided for the payment of all death claims, the annual renewable term reinsurance plan has not occasioned losses to the originating companies.

The incidence of mortality among reinsured lives has been heavy in recent years due partly to the depression and its direct influence on mortality and partly to the adverse selection exercised by the withdrawing policyholders whose withdrawal is due to economic set-backs. Reinsurance companies have adopted many methods of economizing and changing their underwriting practices so that they may look forward with confidence to their ability to continue to afford their valuable facilities to the companies of the country.

Place of Intermediary in the Field of Reinsurance

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carry catastrophe covers with different amounts of deductibles in the smaller places from the larger cities.

Although, by and large, London Lloyds enjoys a monopoly in the field of catastrophe covers, there is a limited market for automobile fire catastrophe excess in this country. A few of the direct writing companies have been transacting some of this business. These covers generally undertake to pay the excess over a stated amount for fire attacking more than one automobile. An interinsurance arrangement has been worked out by about ten stock fire companies for carrying this risk. The arrangement has been successful and the interest on the funds that the inter-insurers have paid into the pool are reported to be adequate to pay the losses. This is the Boston pool and W. R. Hedge, president of the Boston and Old Colony, is reported to have been the originator of it.

Getting back to the subject of reinsurance brokers, however, in the depression years a number of regular insurance brokers have attempted to place some reinsurance treaties on the side, a development which is naturally not welcomed by the specializing intermediaries, but which is not feared because of the likelihood that it will disappear when business improves and the regular brokers are busy with their regular customers.

Among the leading reinsurance brokers in the country are Sterling Offices, Ltd., and the Holborn agency of New York. Sterling Offices maintains headquarters in London, Paris and New York. The office in this country is in charge of P. R. Willemson, who has a wide acquaintance both among reinsurance and direct writing people.

The executives of the Holborn agency are Robert Van Iderstine, Jr., son of the late chairman of the board of the American Equitable, and John N. Gilbert.

Guy Carpenter is another well known reinsurance intermediary, whose operations, however, are unique. His pet is the excess of loss cover, which is a thorn in the flesh of treaty reinsurers, inasmuch as it is a challenge to the theory of treaty reinsurance. Mr. Carpenter is a most pleasant man, but sometimes in in the minds of some of the treaty reinsurers he takes on something of the aspect of a big bad wolf.